



# Procuring the Future

Sustainable Procurement National Action Plan:

Recommendations from the Sustainable Procurement Task Force

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## Foreword by Sir Neville Simms

Imagine a very large and diverse business that builds schools, hospitals, offices and roads. This is an organisation that, amongst other things, consumes more electricity than the cities of Birmingham and Liverpool combined (around 7000 Gwh), and as much water as four times the population of Greater London (1000m gallons). Spending over £3bn on food, £4.5bn on waste treatment and many billions of pounds on maintenance every single year, it uses a supply chain of thousands of companies from across the globe.

Now imagine a government that is committed to sustainable development, that wants to create a strong, healthy and just society, here and overseas, that endeavours to live within environmental limits and wants to move towards a more sustainable economy. If that government could harness the purchasing power of that business, imagine what an impact it could have.



That business and that government are one and the same. The operation that buys goods, services and capital assets and employs over 6 million people, is the same government that committed itself last year to becoming more sustainable. Yet too often the business side of government – the service provision, the purchasing, the employment, fails to reflect the policy goals of government. The result – a government that misses opportunities and that could do more to lead by example to achieve its own policy goals.

Bringing together the business and the policy arms of government is what sustainable procurement is about. It is about how the government's immense buying power can be used to make rapid progress toward its own goals on sustainable development. It is something the best of the private sector is already doing – whether as a result of enlightened leadership or shareholder pressure. It is something the private sector expects of the public sector. It is also, increasingly, something the public themselves expect. And it is something that really matters.

Sustainable procurement – in short using procurement to support wider social, economic and environmental objectives, in ways that offer real long-term benefits, is how the public sector should be spending taxpayers money. Anything less means that today's taxpayer and the future citizen are both being short-changed.

Yet the practice still falls short of the promise. In its 2005 Sustainable Development Strategy, the UK Government stated its ambitious goal to be a leader in the EU on sustainable procurement by 2009. It recognised that current initiatives alone would not deliver that. It accepted the need for a step change in performance and I was asked to set up a Task Force to come up with a National Action Plan to propel the UK into that leadership position.

The Task Force was given one year. This is our plan for action. It requires determined effort from the top down throughout both central and local government, the NHS, indeed everyone who either spends money from the public purse or on behalf of the public.

It does not mean that the public sector should act as a monolith – that is neither efficient nor desirable. But it does mean a sense of common purpose.

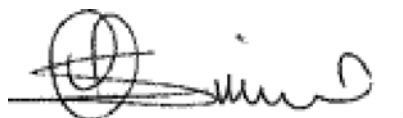
The message from the Task Force is simple: this is worth doing, there are clear benefits, it can be done, it is not difficult, it will not cost more in the medium term and will show real dividends in the long term. There are many existing examples of good practice set out throughout the report. The UK can lead and, indeed, will benefit from leading – other countries are already looking to the UK for inspiration and it makes good business sense to be in the vanguard.

This a particularly good moment for the Task Force to be reporting. The Chancellor has initiated a comprehensive review of government spending and identified five key long-term challenges which the UK needs to address in setting the course for public spending over the next decade. Now is the time to demonstrate that the efficiency agenda and the drive towards a more sustainable future are not only compatible but essential companions on the road to success.

Future generations will neither excuse us nor forgive us for ignoring the signals that we can see today. They will not accept that it was too difficult or too costly to keep our economic aspirations in balance with our impact on the environment and the effects our decisions would inevitably have on society. They will wonder why we delayed and took such tentative first steps and why our government was so reluctant to act with conviction and leadership even if the, so called, hard evidence was only slowly being assembled.

But if the latest sustainability strategy, *Securing the Future*, is driven forward with determination and the government's huge spending power is harnessed as recommended in this report and if the first steps are taken now, right now, future generations will have much to thank our leaders for.

The time is right, the world is waking up to the dangers that lie in wait if we continue along the unsustainable path we are on and I urge and encourage the government to push forward with its sustainable strategies and to welcome and quickly adopt this National Action Plan offered to it by the business led Sustainable Procurement Task Force.

A handwritten signature in black ink, appearing to read 'N. Simms', with a horizontal line underneath.

**Sir Neville Simms**

# Executive Summary

The UK Government's 2005 Sustainable Development Strategy set out the ambitious goal to make the UK a leader in the EU in sustainable procurement by 2009. The strategy recognised that this was important in moving towards a more sustainable economy, firstly because the scale of the public sector spend on goods, services, works and utilities 13% of GDP<sup>1</sup> is capable of stimulating the market for more sustainable goods and services. Secondly, because only with government leadership can the consumption patterns of business and consumers be shifted onto a more sustainable path. Acknowledging that simply continuing with current efforts would leave the UK short of that goal, the Secretary of State for the Environment, Food and Rural Affairs and the Chief Secretary to the Treasury established a business led Task Force under the chairmanship of Sir Neville Simms to devise a National Action Plan to deliver the UK objective.

The Task Force's membership was drawn from business – both major suppliers to government and representatives of best private sector practice; non-governmental organisations; trade unions; professional bodies; major public sector procurers and the Sustainable Development Commission. Its remit was to focus on the social, economic and environmental dimensions of public procurement. It analysed evidence, drew on experience and best practice elsewhere and commissioned research to show how the UK could become a leader in sustainable procurement. It concluded that for the UK to reach this goal, a systematic effort to mainstream sustainable procurement was required. The Task Force concluded there would be significant benefits from doing this: better stewardship of taxpayers' money; environmental and social benefits; public sector support for innovation and encouragement for more environment-friendly technologies. Risk could be better managed; concerns about upfront costs would be mitigated through less waste and there would be better information about purchasing patterns and improved supplier relationships and management. All these elements of sustainable procurement are, at the same time, simply examples of good procurement practice.

## The National Action Plan

The Task Force drew on the findings of reports by the National Audit Office, Environmental Audit Committee and others, as well as its own research to analyse the key barriers to sustainable procurement and presents a National Action Plan for overcoming them. The plan makes six key recommendations, underpinned by three building blocks for sustainable procurement and details the actions which must be taken with milestones for getting started and clear target dates for the future.

<sup>1</sup> This estimate is based on an analysis of the National Accounts 2003/04 published by the Office for National Statistics, it is the only source which provides information on the amounts of goods and services purchased from different sectors of the economy.

## 1. Recommendations

The first recommendation is for government to **Lead by example**. The lack of consistent leadership on sustainable procurement again emerged as a key barrier – as it has from numerous earlier reports. Business leaders recognised the key role that commitment from their chief executives made to improving performance. Many public sector procurers lack clear direction from the top of their organisations on the priority to be given to delivering sustainable development objectives through procurement. In government, there is no clear owner of sustainable procurement. Incentive systems neither reward sustainable procurement nor do they punish failure to comply with existing policies in this area. All this results in confusion for suppliers, as policy statements are not translated into procurement decisions. To address this the Task Force recommends a clear commitment from the very top of government and down through Permanent Secretaries, local authority members and chief executives in all public bodies. This should be cascaded down through both government targets and performance management systems and progress monitored by external scrutiny bodies. Ownership needs to be clarified with OGC owning the framework, assisted by individual departments on the policy content.

The second recommendation is for government to **Set Clear Priorities**. Procurers complained of too much guidance, presented in an incoherent manner with no cross government ownership – a “one size fits all” approach. The Task Force believes that government needs to rationalise the significant number of (sometimes competing) policies through procurement which it came across into a single integrated sustainable procurement framework which meets the test of policy salience and suitability for being addressed through procurement. It must also establish an effective filter process to ensure that there is significant government buy-in before new policy areas are included. To ensure that potential benefits in big government projects are not missed, the Task Force recommends a new early stage in the Gateway process (‘Gateway – 1’) to seek to balance economic, social and environmental returns.

The third recommendation is to **Raise the Bar**. The Task Force believes that existing minimum standards for central government should be properly enforced and extended to the rest of the public sector and that further standards (both minimum and forward-looking) should be developed in the priority areas of spend it has identified. These include construction, energy, food, furniture, health and social work, office machinery, pulp and paper, textiles, transport and waste. This will raise the performance of buying and selling organisations and of the products and services being procured and give clear signals to the marketplace on future requirements. The Task Force recommends working with suppliers to identify future needs and to phase out products and services that fall below minimum standards by 2009. Government should make clear what standards are mandatory and be prepared to apply sanctions for non-compliance. It should make equally clear which actions on the part of public procurers it wants to actively promote and which are at the discretion of procuring organisations.

Next the public sector must **Build Capacity** by developing its capabilities to deliver sustainable procurement. Procurers complained of lack of unambiguous information and training, confused messaging and lack of tools showing how to put sustainability into practice. As sustainable procurement cannot be undertaken effectively unless procurement



activities in the round are carried out professionally and effectively, all procurement should be carried out by people whose procurement skills have been developed appropriately. This includes full-time procurement people; people who do procurement as a significant element of their work; and people who procure only occasionally who are currently untrained and often senior. The Task Force has developed a new framework to allow public sector organisations to benchmark their own capability (this is called the Flexible Framework). It recommends that all public sector organisations reach level 1 (or above) by end of April 2007 and level 3 (or above) across the board with level 5 in at least one category by 2009. Public sector organisations with large spend (over £1 billion per annum) also need to ensure there is a Commercial Director on board, one with the necessary procurement skills endorsed by OGC. The Action Plan requires a new commitment to training and education for public sector procurers as part of the delivery of the National Action Plan, alongside rapid implementation of the Government's existing plans to develop a robust knowledge base on the sustainability impacts of products.

The fifth recommendation is for government to **Remove Barriers** to sustainable procurement – whether actual or perceived – and put in place the right budgetary mechanisms. Evidence submitted to the Task Force suggested that whole life costing was not being implemented in practice, the focus is on lower upfront costs and Government's Efficiency Programme was perceived to be a barrier to sustainable procurement. Other barriers recorded were: the split between management of operation and capital budgets; and uncertainty on how to take account of non-monetary benefits. The Task Force wants to see these barriers removed. The Task Force accepts that by and large the current rules do not preclude sustainable procurement, but neither do they encourage and facilitate it. The Task Force, therefore, calls on HM Treasury to simplify and clarify existing guidance on whole life costing and to reinforce the requirement that it is applied in public spending. All public organisations are called upon to examine their budgeting arrangements to make sure they encourage and support sustainable procurement. Big capital spend programmes should be reviewed to make sure they are meeting high sustainability standards, starting with Building Schools for the Future. Government should evaluate the pilot public sector energy efficiency fund, and consider its expansion in the Comprehensive Spending Review, to a sustainable capital fund to ensure that upfront cost is not a barrier to the best option for the taxpayer.

Finally, the public sector needs to **Capture Opportunities** for innovation and social benefits and to manage risk better through smarter engagement with the market. Many suppliers felt that it was difficult to penetrate the public sector with innovative solutions and that there were missed opportunities for giving clear signals to the market. Better engagement with suppliers, including the third sector and social enterprises, would allow more benefits to be realised. To address this, government needs to develop the Forward Commitment process as one of the means of encouraging the market to offer innovative solutions. This process will provide a method for public sector procurers to encourage dialogue with suppliers in key markets and will be one of the routes to market for small and medium sized enterprises and social enterprises. This can be expected to result in economic growth and employment opportunities in the short, medium and long term.

## 2. The Building Blocks

The Task Force believes that these actions by public sector organisations need to be underpinned by three building blocks.

- The Flexible Framework – this guides public sector leaders in the actions required to make sustainable procurement happen. It allows organisations to assess the quality of its procurement activity and gives a clear route map to better performance.
- Prioritisation of spend – the Task Force has identified the need for a filter mechanism to determine policy priorities. It has developed a methodology for identifying in which areas of spend to focus attention. Its application at the national level has helped to identify ten priority areas of spend, highlighted in the report, for action nationally. Public sector organisations can also use the prioritisation tool to identify local priorities (additional to the national priorities).
- Toolkits – government needs to identify an owner for a ‘sustainable procurement delivery team’ which will develop specialist toolkits and provide expert advice and support to public sector procurers.

## 3. Getting started

The Task Force believes that all public sector procurers (whatever their starting point) can use the building blocks to get started now and thus make rapid progress towards the 2009 target. In particular, the Task Force recommend a number of key milestones:

- 2007 all public sector organisations to reach Level 1 (or above) of the Flexible Framework by end April
- 2008 benchmarking of progress nationally and internationally
- 2009 all public sector organisations to reach Level 3 (or above) of the Flexible Framework with leadership (Level 5) in at least one area by December.

but also recognises that progress should extend well beyond 2009.

## 4. Conclusions

The National Action Plan gives government a clear direction on how to make real progress toward better, more sustainable procurement which will in turn allow it to move forward on sustainable development and set an example both to business and consumers in the UK and to other countries. There is a big opportunity to be seized: but it requires urgent and focussed action and the will to enable the necessary behavioural changes from all levels of management within public sector organisations. Those in charge of our big public sector organisations must see their spending power as a tool to deliver a more sustainable future and to be prepared to use it, only then can government truly claim that is achieving real value for the public purse.



## Context

### 1.1 Establishment of the Task Force

The UK Government's Sustainable Development Strategy <sup>(ref1)</sup>, "Securing the Future" (the *Strategy*), launched in March 2005, set the ambitious goal for the UK to be recognised as amongst the leaders in Sustainable Procurement, across EU member states, by 2009. In setting that goal, the Prime Minister recognised that the way in which the public sector spends its money – some £150bn or around 13% of GDP – has a major impact and a great contribution towards delivering sustainable development in the UK.

The focus on sustainable procurement is not new. Over recent years, there has been increasing interest in using public sector procurement to make the transition to a more sustainable economy. Domestically, it has been examined by a number of bodies, including the National Audit Office (NAO) and the Environmental Audit Committee (EAC). Internationally, sustainable procurement has been a focus point both in the EU Council, Commission and Parliament and at the UN, where it was an important theme of the World Summit on Sustainable Development. The UK has already put in place some mechanisms to increase the sustainability of government procurement. However, the clear message from the consultation on the *Strategy*, particularly from the business community, was that existing efforts were falling short and that this was an area where business looked to Government to lead by example.

#### The starting point

Existing attempts to make procurement more sustainable stem from the Sustainable Procurement Group, a cross-departmental group established by the Secretary of State for Environment, Food and Rural Affairs and the Chief Secretary to the Treasury and chaired by Office of Government Commerce Buying Solutions (OGCbs). It reported in October 2003 with a number of recommendations for moving the agenda forward. As a result of this report Government established a policy framework with commitments for central Government departments, endorsed a set of minimum standards for certain products (Quick Wins) and provided support to public sector procurers in the shape of two notes on environmental and social issues in purchasing respectively.

Alongside these and directly resulting from the work of the Sustainable Procurement Group, NHS Purchasing and Supply Agency (NHS PASA) and OGCbs developed an environmental questionnaire for suppliers, the Office of the Deputy Prime Minister (ODPM) launched the

## Context

National Procurement Strategy for Local Government, and Defra, as part of the UK presidency of the EU, worked in close partnership with the European Commission and other member states to assess the current environmental performance of EU public procurement and develop recommendations for improving it. The latter is being continued under the Environmental Technologies Action Plan <sup>(ref2)</sup>.

The *Strategy* sought to build on these existing initiatives. However, it recognised that further incremental progress of this type, with patchy implementation, would not deliver the step change in performance that Government was seeking. It also recognised that, increasingly, public sector procurement was failing to match best practice in the private sector where leading companies were progressively putting sustainable procurement into practice.

### Sustainable Procurement Task Force established

The Secretary of State for the Environment, Food and Rural Affairs and the Chief Secretary to the Treasury therefore asked Sir Neville Simms, former Chair of Carillion plc and Chair of International Power plc to convene a business-led Task Force to devise a National Action Plan to deliver its 2009 goal. The Task Force aimed to draw on best practice in the private/public sector and seek lessons from businesses and suppliers to the public sector, to develop an action plan involving stakeholders from all sectors.

The Sustainable Procurement Task Force was established in May 2005 and was given one year in which to deliver the National Action Plan.

The Task Force was business-led, reflecting both the corporate sector's interest in the subject and Government's recognition of suppliers' and contractors' role in delivering sustainable procurement across the public sector. It consisted of 33 members from the following sectors:

- leading supply chain practitioners;
- suppliers to the public sector and their trade associations;
- central Government departments and their agencies;
- local government;
- non-governmental organisations and the voluntary and community sector;
- professional bodies;
- trade unions;
- Sustainable Development Commission;
- Devolved Administrations.

See Appendix for a full list of members.

The Task Force has drawn on evidence from the Devolved Administrations and its recommendations are equally applicable to them.

Working Groups were established to lead the development of the National Action Plan and were chaired by members of the Task Force. The working groups were:

1. International benchmarking – chaired by Mark Yeomans, Environment Agency
2. Data and priorities – chaired by Martin Sykes, Office of Government Commerce

3. Engaging with suppliers – chaired by Claire Garrett, BT plc
4. Accountability – chaired by Tim Stone, KPMG
5. Capacity building – chaired by Jim Brathwaite, South East England Development Agency.

A substantial body of research was commissioned to supplement Task Force members' own experience and provide a robust evidence base for the recommendations. The full Task Force met five times during the year to consider the output from the working groups and the research, and to help shape the National Action Plan. The full terms of reference are set out as follows.

### Sustainable Procurement Task Force – Terms of Reference

To develop a National Action Plan for ensuring that public procurement fully contributes to sustainable development in the UK, reflecting the principles set out in the sustainable development strategy and the existing EU, domestic and legal framework governing public procurement.

The Action Plan should set out how to embed sustainable development considerations into procurement and investment decisions across the UK public sector to:

- avoid adverse environmental impacts arising on the government estate and in the supply chain
- make more efficient use of public resources
- stimulate the market to innovate and to produce more cost effective and sustainable options for all purchasers
- set an example for business and the public and demonstrate that government and the wider public sector is serious about sustainable development.

The Task Force was asked to:

- clarify what sustainable procurement embraces;
- collaborate with key organisations already active in the field of sustainable purchasing and supply-chain management and sustainable procurement initiatives;
- liaise with the European Commission and OECD Secretariat over their work on national actions plans for “greener” public procurement;
- engage with the major players in the public sector, its suppliers and UK business to secure their broad support to the action proposed.

## Context

### Defining sustainable procurement

While the Government had a number of commitments to sustainable procurement, there was no consistent definition in use across the public sector that both policy makers and procurement professionals could relate to. The Task Force devised a versatile definition of sustainable procurement that encompasses all three dimensions of sustainable development:

Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.

**Footnote:**

Sustainable Procurement should consider the environmental, social and economic consequences of: Design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain.

## 1.2 Why Sustainable Procurement matters

The UK sustainable development strategy set out four key priority areas for action:

- Sustainable consumption and production
- Climate change and energy
- Protecting natural resources
- Creating sustainable communities and a fairer world.

It is evident that *what* and *how* Government buys and acquires goods, services and capital, makes a big difference, both to its ability to deliver sustainable development and to its credibility with those it seeks to influence. In business, this is as a core piece of risk and reputation management, as well as a way of implementing corporate strategy. The public sector needs to see it in that way too.

### Scale of Public Sector Spend

Figure 1 shows the scale of public sector spend across a range of sectors. It shows total spend as approximately £150 billion per annum. This estimate is based on an analysis of the National Accounts.

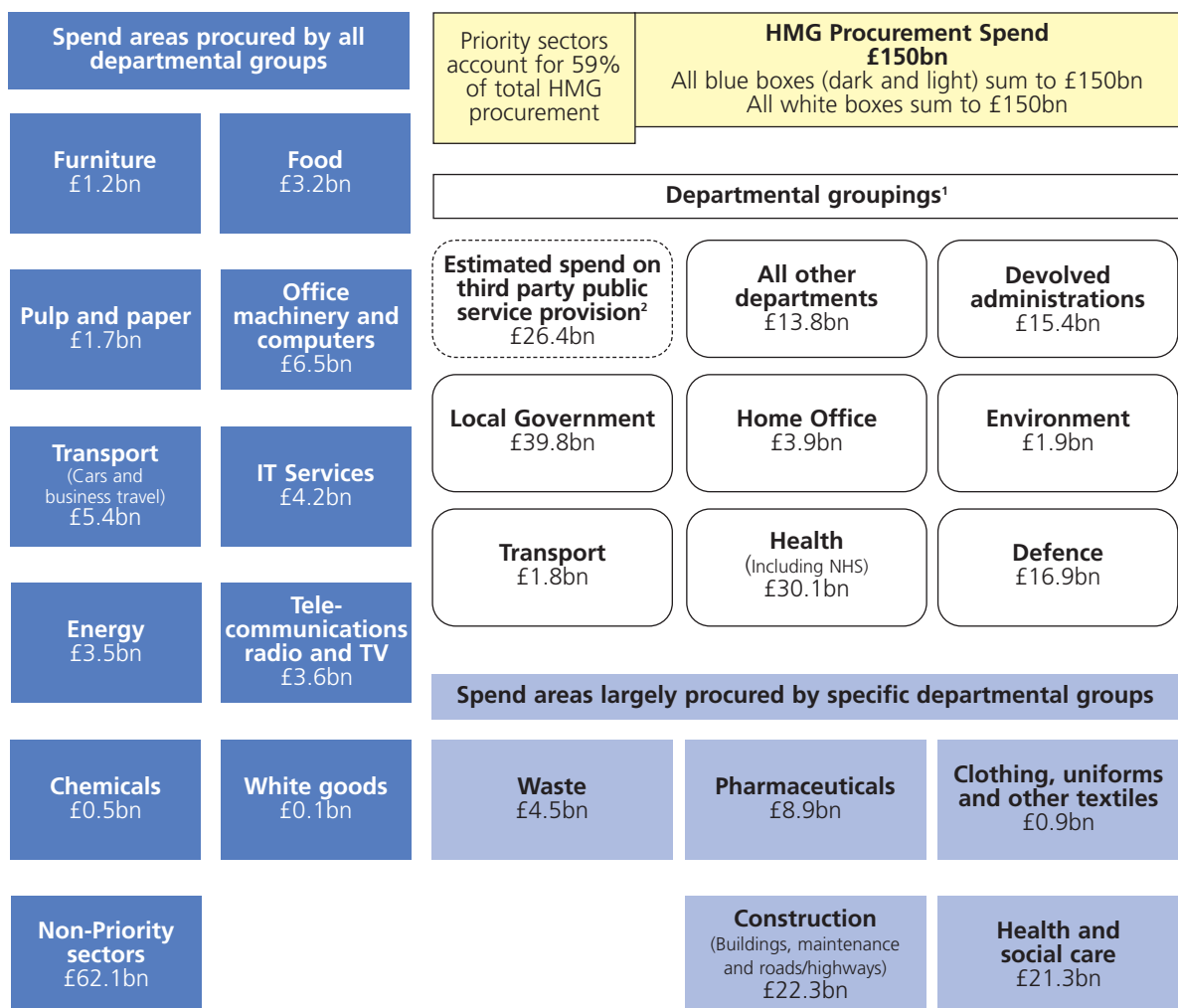
### Delivering real Value for Money

The public sector needs to procure sustainably because that is the only way that we can be sure to offer real value for money over the longer term. A false choice is often posed between “value for money” or “efficiency” and sustainability. A number of examples of public sector decisions being made purely on the basis of upfront costs were presented to and considered by, the Task Force. These demonstrated false economy, in direct contrast to existing rules and results in an economic burden borne by taxpayers and the private sector. In effect, Government is wasting taxpayers' money if it fails in this duty. Unsustainable procurement is not good stewardship of taxpayers' money.



This report and action plan shows how a focus on sustainable development can help to identify efficiency savings that would have otherwise been ignored or remained hidden. The recent media and public interest in school meals is a good example of action being taken to fill a policy gap where decisions about spending on (and quality of) food are seen to have significant impacts on health and educational performance.

**Figure 1: Scale of public sector spend across a range of sectors**



All figures are for procurement in 2003/04

<sup>1</sup> HM Treasury departmental groupings, Includes agencies

<sup>2</sup> Not included in Departmental spend but is included in sector spend

Sustainable procurement can also have a wider range of benefits than is immediately apparent. Recycled materials and products have long been recognised as making an important contribution to sustainability by reducing landfill (and therefore methane emissions) and conserving non-renewable resources, but a new report by the Waste and Resources Action Programme (WRAP) show that over their full life cycle they also have an important part to play in reducing carbon dioxide emissions. Currently recycling levels in the UK already reduce CO<sub>2</sub> emissions by 10-15m tonnes compared to incinerating or landfilling those materials – equivalent to taking 3.5m cars off the road. (ref 3)

## Context

Capturing the benefits of sustainable procurement will contribute to what the Prime Minister, in his foreword to the *Strategy* described as: “Ensuring we get the full environmental, social and economic dividend from every pound we spend”.

### It need not cost more

One of the repeated concerns to the Task Force is that sustainable procurement inevitably costs more – at least in the short-term, even if it offers long-term savings. This is seen as one of the key barriers to sustainable procurement.

The Task Force believes that sustainable procurement, as part of an improved procurement process, seen as an organisational priority which questions the need to spend; cuts out waste, seeks innovative solutions and is delivered by well trained professionals will reduce rather than add to public spending in both the short and the long run. A resource efficient public sector will have lower impacts. Sustainability versus efficiency is a false choice. The taxpayer, and the citizen – and future generations – deserve both. Our recommendations for action which follow, chart the path for the public sector to make good on that offer. In each section we give examples of how some public sector organisations are already getting it right and delivering real best value. The challenge is to make the best the norm.

Research commissioned on behalf of the Task Force has revealed the potential for net benefits to be delivered through sustainable procurement as is the case of video conferencing for court appearances, for example. The procurement project replaced the transportation of prisoners to court for remand and other non-sentencing hearings by video links and produced benefits which exceed the costs of the video conferencing. Discounting over 7 years, the life of the video conferencing contract, produces a net profit value of £645,776 at a 3.5% discount rate.

### Making more efficient use of resources

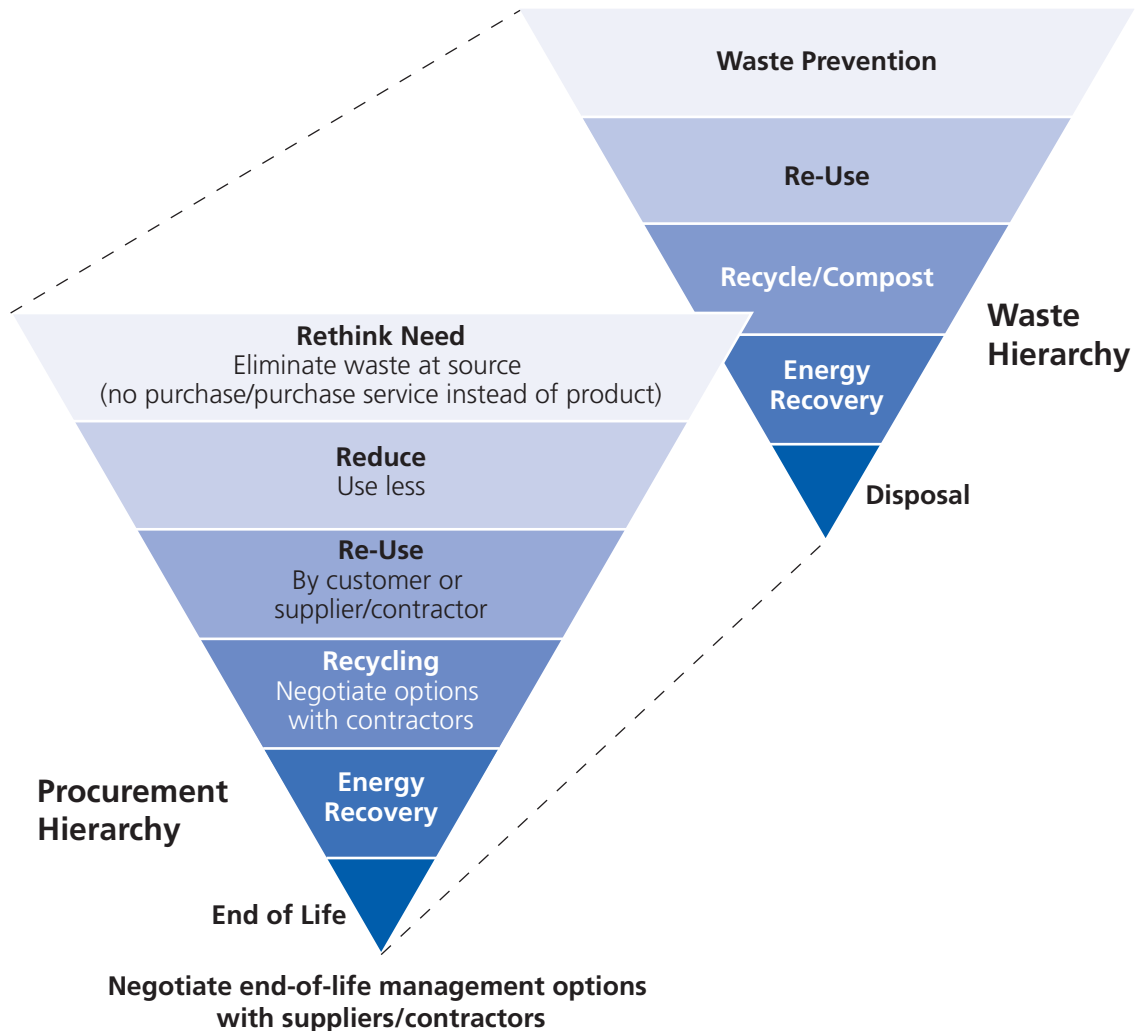
Government identified the need for more resource efficient consumption and production as a key issue in the *Strategy*, if we are to reconcile the aspirations in the UK and the developing world for higher living standards with the limits on world resources. The public sector has a dual role to play to optimise sustainability both as a consumer of non-renewable resources and a major influence on the behaviour of the private sector and the development of future products.

Procurers occupy an important position in many organisations – including those in the public sector – in that they need to liaise effectively with both internal customers and the supply chain. From this position they can influence the articulation of need by working with specifiers and users. They can – and increasingly do – work solely with the market in signalling future requirements and so stimulating product development and innovation. In order to deliver sustainable procurement, procurers – both specialists and non-specialists – have the chance to challenge the need to purchase at all. Since one of the most effective ways of reducing environmental and social harm is not to purchase, procurers are well placed to help others deliver on their sustainability commitments.

The example of waste is probably the most obvious. The government’s waste hierarchy can be regarded as a purchasing hierarchy with the opportunity to re-think the need at the top of the hierarchy (see Figure 2 opposite). Options for action include: avoiding the purchase, using less, shifting from purchasing a ‘product’ to purchasing a service, through re-use and recycling to consideration of end-of-life management.



**Figure 2: Waste Hierarchy = Procurement Hierarchy**



## Helping UK business competitiveness and innovation

Public procurement has the potential to shift the market. This power diminishes as procurement spend is disaggregated. The environmental technologies sector is one of the main markets in which public procurement can have an impact. New global markets are emerging, which will become a major potential consumer of sustainable designs and products; UK businesses need to be able to compete in these markets of the future. According to latest DTI-Defra statistics (a survey undertaken by the Environmental Industries Unit) <sup>(ref 4)</sup> the UK environmental industries sector is growing rapidly; in recent years it has grown from £16bn employing 170,000 people, to £25bn and employing around 400,000. However, this is still a small share of the international market. As the single biggest customer in the UK, government has recognised its role in stimulating higher standards and bringing innovations to commercial scale. DTI and OGC are working together on stimulating innovation through public procurement, for example, but more needs to be done and it is important that actions aimed at delivering sustainable procurement complement and build on existing activity.

## Context

### Public procurement can help drive improvement in private sector

Government supports a number of initiatives (through organisations such as Envirowise and WRAP) to drive improvement in business environmental performance, but this does not counteract the potential to directly catalyse this change through its own commercial relationships. Through public sector procurement procedures Government can influence the private sector to become more sustainable. Leading companies have already indicated their willingness to work with Government to achieve this goal. More will do so when they see real progress from the public sector.

### It will help build genuinely sustainable communities

The *Strategy* asked all local authorities to develop their own “sustainable community strategies”. Many local authorities have already developed ‘green’ procurement policies and strategies as part of their contribution to Local Agenda 21 <sup>(ref 5)</sup>. The Local Government Act 2000 <sup>(ref 6)</sup> placed a duty on English and Welsh local authorities to prepare a community strategy for promoting or improving the economic, social and environmental well-being of their area and contributing to the achievement of sustainable development in the UK and gave authorities the power to do anything they consider likely to achieve the promotion of the area’s well-being in that sense (the “well-being” power).

The ODP/MLGA National Procurement Strategy for Local Government <sup>(ref 7)</sup>, focused on stimulating markets and achieving community benefits and included in its vision that by 2006 authorities will be:

- realising economic, social and environmental benefits for their communities through their procurement activities
- stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services

In doing so, councils should engage actively with suppliers and use procurement to help deliver corporate objectives. However, while there is a lot of good practice in local government to build on, performance is very variable which means that many opportunities for achieving benefits are missed.

### Other countries are already pushing forward

International benchmarking suggests that the UK is in the top tranche of EU performers, however, this is not a static picture. In a 2005 survey of the 25 EU Member States, the UK was ranked in the top seven countries <sup>(ref 8)</sup>. Many other countries share the UK’s view that sustainable procurement is an important lever to deliver sustainable development.

Within Europe there is a growing consensus that public procurement can play a vital role in achieving sustainable development, with greener public procurement in particular being singled out in the Environmental Technologies Action Plan and the Commission’s Green Paper on Integrated Product Policy <sup>(ref 9)</sup>. The Lisbon Strategy for jobs and growth also seems to provide a good basis on which to pursue more sustainable procurement. At an international level there are various sustainable procurement initiatives, aimed at public authorities, that support this drive; CARPE, Procura+, LEAP, the International Green Purchasing Network and the recently established Marrakech Task Force on Sustainable Public Procurement led by Switzerland.

## Because the private sector is doing it too

Business expects government to do what it expects others to do. By participating in the work of the Task Force, many businesses have demonstrated their commitment to helping the public sector deliver real changes in behaviour which will allow the private sector to manage risks appropriately.

Unsustainable purchasing of timber, food, cars/travel and many other areas has a high reputational risk and is seen by pressure groups, the press and society at large as unacceptable. Leading businesses are making far more rapid progress than government in addressing these risks.

## Leading by example

Government's own evidence on changing behaviour across wider society towards more sustainable patterns of consumption<sup>2</sup> identifies four compelling reasons why government action in this area is so important: 1) public sector consumption constitutes a significant proportion of total consumption; 2) procurement practices can play a key role in stimulating markets for sustainable products and services; 3) the process of changing behaviour across Whitehall provides invaluable lessons to policy-makers about what is involved; 4) Government policies and practices send important signals to people about public priorities while unfavourable or inconsistent policy signals can undermine the best efforts of Government to motivate sustainable consumption. The report of the Government sponsored Sustainable Consumption Roundtable endorses this view, calling on the Government to set a "visible example to the public". (ref 10)

*"Government can be bolder about driving markets, as there are win-win outcomes. A mass of people are ready and willing to see new policies introduced that will help them change their behaviour in the face of climate change and global poverty. But they need the government to set an example and make it easier for them to do the right thing."*

I will if you will – Towards Sustainable Consumption

## 1.3 What matters?

### The approach

In a field as complex as sustainable procurement it is vital that the UK public sector has clarity on priorities. In an environment of limited resources, those responsible for spending taxpayers' money need to be given a clear indication of where to focus their efforts first. The Task Force has addressed this issue in some depth through a combination of its working groups and members of the secretariat.

The Task Force identified at an early stage that the public sector should adopt a risk-based approach to sustainable procurement, including its treatment of socio-economic issues. This applies at the local, national and international levels through management of its suppliers and contractors, since more than 50% of the impact of public sector procurement arises from its supply chain. (ref 11)

<sup>2</sup> <http://www.sd-research.org.uk/researchreviews/sustainableconsumption.php>

## Context

To provide a focus for sustainable procurement in the public sector, and in order to make robust recommendations on priorities, the Task Force established a working group to identify public sector procurement priorities. The working group reviewed approaches to prioritisation adopted by other countries and did not find a methodology to satisfy its requirements. So the Task Force decided to develop a prioritisation approach of its own.

### The methodology

The working group built on a review of procurement spend data sources that concluded the single best source of data available was based on the National Accounts 'Input-Output analysis'. The Task Force identified a clear need for more robust procurement information management systems with quantifiable evidence of the associated environmental and socio-economic impacts. The difficulty in obtaining such information is a major obstacle to the delivery of sustainable procurement.

The working group developed an expenditure prioritisation methodology. This uses an approach based on assessing risk, scope to do more and procurer influence to achieve prioritisation of areas of public sector spend. Details of the prioritisation approach are shown in the '*Getting Started – 2*' section of the Action Plan.

The use of a prioritisation technique allows effort to be targeted at contracts where the maximum benefit can be achieved. Should a robust methodology to determine sustainable procurement priorities not be applied there is a high likelihood that resources will be focussed on "easy to deal with" spend areas and opportunities to deliver the highest benefit for the least resource will be missed. Assessing the whole life value of goods and services also represents significant opportunities for long-term efficiency gains. There are often opportunities to decrease operational and end-of-life expenditure for little or no increase in capital expenditure.

The approach allows all public sector bodies to complete a prioritisation assessment of all expenditure areas to identify the largest, quickest and easiest sustainable procurement opportunities available to them. This should include the areas where there is the greatest scope to drive the market towards sustainability and the areas where the greatest policy/public relations risk exists e.g. timber, construction, food etc. This risk-based approach will help the public sector make maximum progress towards its 2009 target over the short to medium term.

Using the best available spend data, the Task Force has used an approach that identifies sectors on which attention should be focused. Sectors which should be identified are those:

- which have a high level of annual procurement expenditure (more than 0.5% of total annual procurement expenditure).
- that have a high public sector market/ supplier share (more than 0.5% of market/ supplier turnover would be classed as a high share).
- which may have low procurement expenditure and/or low market share, but which have high environmental/ socio-economic impact e.g. energy use, renewables, developing world supply chains etc.
- sectors where it is anticipated that there will be a significant increase in future spend e.g. Buildings Schools for the Future Programme, London 2012 Olympic Park Construction.
- sectors where there are opportunities for 'quick wins', e.g. easy to deal with but for which a sustainability improvement can readily be delivered such as white goods, paper etc.

This process is generally straightforward for high expenditure and high market share areas using the most appropriate source of data. Identifying specific priority areas to take forward with a high environmental/socio-economic impact, where there is an anticipated increase in procurement spend or a quick win will be a subjective process and as such the maximum amount of stakeholder consultation feasible should take place. In the case of the Task Force, this consultation took place first amongst working group colleagues and secondly in the wider Task Force. This approach to consultation gives the opportunity for stakeholders to become involved at an early stage of the process. This will ensure the right priorities are targeted and will aid buy-in from those who will be required to implement sustainable procurement in each of the identified priority areas.

### Public Sector Priority Spend Areas

Of the 174 Government spend areas identified, 18 emerged as priorities – Figure 3 overleaf highlights the combined scoring to determine the priorities. Further prioritisation resulted in 10 areas of spend being identified<sup>3</sup> as follows:

1. Construction (building and refit, highways and local roads, operations and maintenance)
2. Health and Social Work (operating costs of hospitals, care homes, social care provision)
3. Food
4. Uniforms, clothing and other textiles
5. Waste
6. Pulp, paper and printing
7. Energy
8. Consumables – office machinery and computers
9. Furniture
10. Transport (business travel, motor vehicles)

### Link to government priorities

The Task Force recommends that work on developing a procurement approach to these areas of spend is linked closely to the Government's ongoing work on developing sustainable products policies.

There is already some overlap with existing Quick Wins, Common Minimum Standards for construction and key markets identified by OGC – including energy, construction and waste. But so far compliance with minimum standards is very partial and participation in OGC activity is optional.

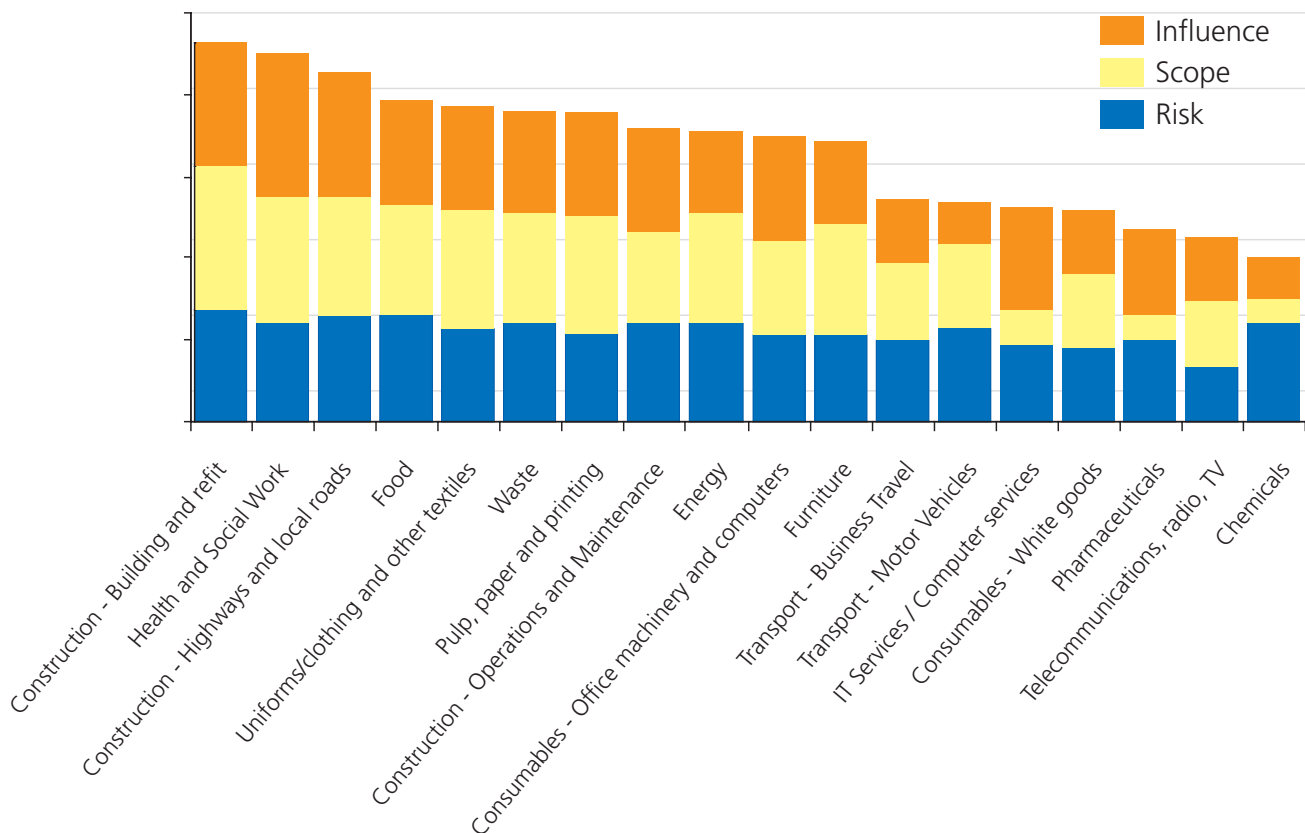
The Task Force believes this will not deliver the scale of change required in timescale required. It believes the public sector should reduce the footprint of its procurement in three key environmental areas: carbon, water and waste, in areas of big spend as part of a move towards a carbon neutral, low water use, zero waste public sector. The first priority is to ensure that all capital programmes should be properly sustainability proofed. Milestones towards this are set out in the fold-out table on the back cover.

<sup>3</sup> Full definitions of the areas of spend covered by each of these categories can be found in the working group 2 report at: <http://www.sustainable-development.gov.uk/government/task-forces/procurement/index.htm>

## Context

The Government has already shown that it is possible to make progress in its initiatives on food and timber. The challenge now is to extend that to other priority areas and thus make progress on the wider agenda. If Government is to make progress on its carbon targets, for example, it should focus much more attention on the carbon emissions from the production and transport of construction materials. Materials production and transport make up 44% of all construction related emissions, while 72% of a building's life cycle carbon is embedded into the physical asset. <sup>(ref 12)</sup>

**Figure 3: Public Sector Priority Spend Areas**



Since the Task Force's remit was sustainable (not just environmental) procurement, we urge that public sector organisations begin to understand and address social issues in their supply chains.

The Task Force urges Government to build on recent activity such as that led by DTI's Manufacturing Forum on the development of social clauses. The long-awaited OGC guidance on Social Issues in Procurement is very welcome. <sup>(ref 13)</sup> But the Task Force recommends that government makes resources available so that public procurers can be made aware of emerging issues in their supply chains and the actions required to address them.

For example, the Task Force believes that the public sector should urgently examine its supply chain for uniforms, clothing and other textiles which is a category of spend representing a major source of social concern. UK could usefully work with and learn from the approach

being developed in the Netherlands where social issues in textiles supply chains are being addressed. Relevant government departments will consider the results of a test case on the Netherlands' approach to the procurement of military uniforms (which makes specific reference to specific International Labour Organisations (ILO) conventions).

These national priorities are not supposed to crowd out or prevent organisations from setting their own local/organisational priorities. Indeed the Task Force encourages organisations to set their own priorities as well. Evidence shows that many local authorities have developed capacity to use procurement to deliver local benefits – and other organisations will be motivated by a desire to support their wider objectives. In local government, community strategies and the well-being duty are major influences on the sustainable procurement agenda. Some of the best examples of using public procurement to deliver social benefits come from local government in the UK.

Figure 4 on page 20 show actions on sustainable procurement focused in priority spend areas will help the public sector meet its existing commitments and targets, as outlined in the *Strategy*. The Task Force has identified government commitments on climate change, water, waste, local regeneration and labour conditions as of particular relevance in the delivery of sustainable procurement. The table provides examples of actions already being taken by procurers. Work on these has been started by the Task Force and which needs to be continued to support delivery.

Using colour-coding, the table shows where action is mandatory (at least for central government) such as in the use of the Quick Wins list of minimum specifications. The table also shows where the same action is not mandatory i.e. in other parts of government but the Task Force believes these organisations could derive significant benefits from taking the same action. In the case of Quick Wins, for example, the demand for such products would be greatly enhanced resulting in the opportunity for public sector procurers to drive a harder bargain on price per unit supplied.

The table also shows where action is entirely discretionary and where the Task Force believes action should be encouraged to deliver economies of scale and because savings are available at no additional cost. An example would be greater levels of participation in the OGC's new energy procurement arrangement where aggregation of demand will deliver benefits for all.

These targets need to be linked to the work of the Sustainable Operations Board and monitoring of central government performance should be carried out by the Sustainable Development Commission in its watchdog role. This will help to tie procurement back into the wider 'Framework' agenda, since procurement and operations are inextricably linked. Monitoring of targets needs to be carried out throughout the rest of the public sector under Comprehensive Performance Assessment in local government and by the Healthcare Commission and others.

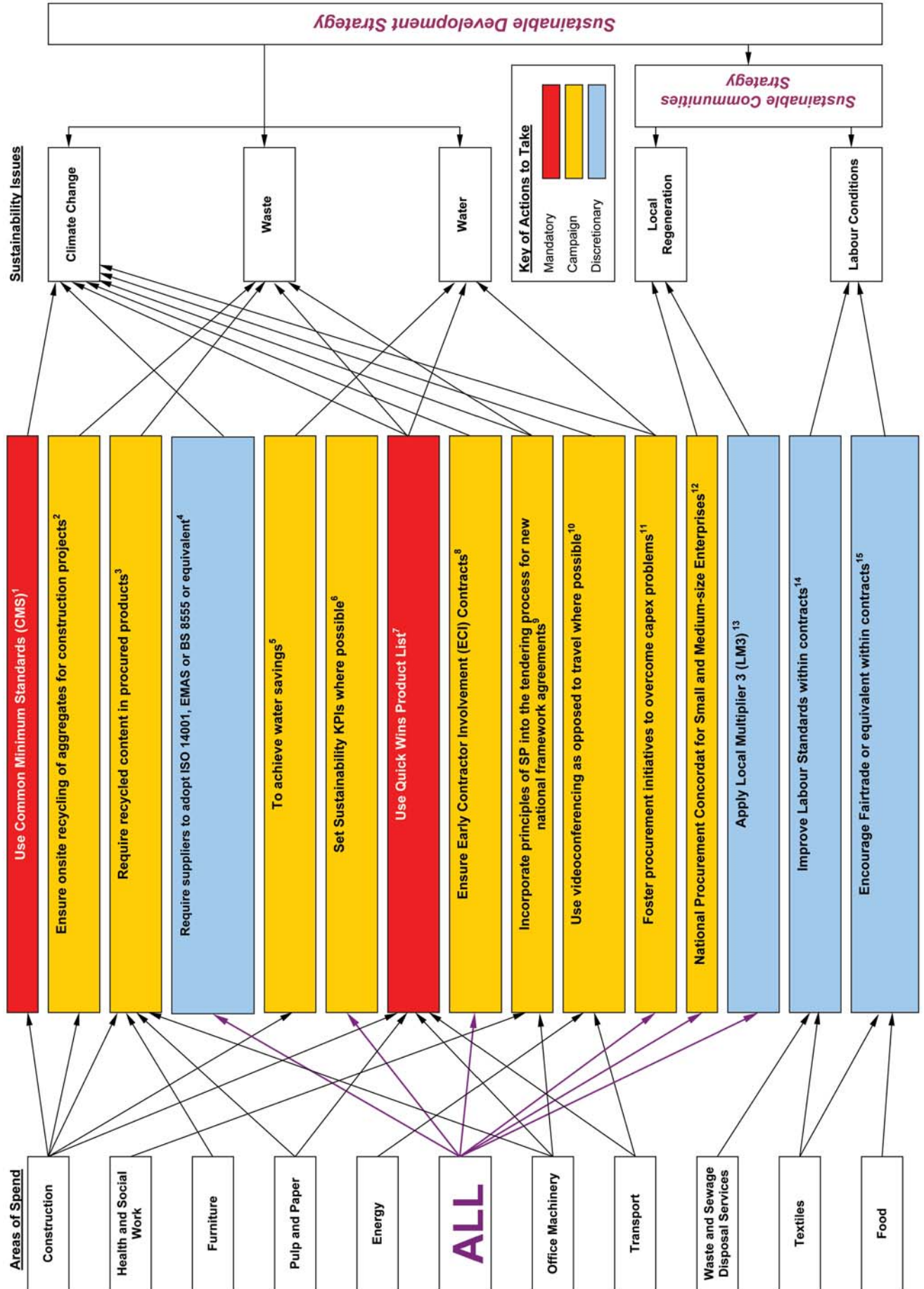
The links between the proposed new round of mandatory product specifications (Quick Wins) and government targets is shown in Figure 5 on page 22.

It became apparent during the course of this work that there is an urgent need for more robust procurement information management systems with quantifiable evidence of environmental and socio-economic impacts associated with public sector procurement. Without this, the UK public sector cannot expect to achieve a position of leadership in sustainable procurement by 2009 and without it, the Task Force believes that real value for money cannot be demonstrated.



# Context

Figure 4: Relationship between priority spend and the big issues





## Key for Figure 4: Relationship between priority spend and the big issues

- 1 Mandated in 2005, but still not fully adhered to. CMS ensures sustainable practice and process is applied to the procurement of construction projects.
- 2 **Bexley Council** did this for the A221 Danson Road. Benefits include a financial saving of 30%, reduced traffic congestion, saving of 3300 tonnes of virgin aggregates, recovery of 1500m<sup>3</sup> potential materials to landfill, reduction of over 200 lorry movements.  
Can be achieved by universally applying targets (as currently used by **ODPM** and the **EA**).
- 3 Following a series of concerted initiatives by **WRAP** under its 'Reconstruct' banner, the construction sector has increased its use of recycled materials by 10.9m tonnes in just three years. Going forward, WRAP has identified projects worth over £20bn where both public and private sector clients have said they would be willing to consider specifying a requirement for products with high recycled content.
- 4 Organisations could use a robust EMS, which has been externally certified, to help them manage their significant environmental impacts, comply with relevant legislation, reduce costs and improve efficiency. ISO 14001 is the international standard for EMSs and provides organisations with a structured framework for identifying, evaluating, monitoring and enhancing their environmental performance. EMAS additionally requires organisations to produce a public report about their performance. Smaller organisations could use the phased approach (BS 8555) to putting in place an EMS. By breaking an EMS down into stages the implementation process is made much simpler. Larger organisations could also use BS 8555 to help manage the environmental performance of their supply chain and require suppliers to reach a specific level of environmental achievement.
- 5 **Woking Borough Council** has implemented a range of water conservation and efficiency measures in its own buildings, including cistern dams, tap regulators, flow controls, waterless urinals, water recycling, leak detection. This led to a reduction in its water consumption by 43.3% between 1991 – 2000 and a financial saving of 11.3%.
- 6 **The City of Edinburgh Council** has applied a total of 74 KPIs to every stage of construction projects: Design, Construction, Fit out and Operation. Benefits include the agreement of a set of sustainability criteria; the development of a series of targets and a unique approach that involved specialist stakeholders.  
**Defra** has compiled a list of 22 environmental KPIs which can be used by any organisation.
- 7 Despite ministers announcing a central government commitment to the Quick Wins Product List in October 2003, it has failed to be fully utilised. Scrutiny of its use (including the 2005 candidate products – an additional 27) will ensure the most energy, water and material efficient products are used by central government.
- 8 **The Highways Agency** has implemented these enabling the early involvement of the supply chain in the planning and design of projects and service requirements. Benefits include greater environmental innovation, better risk management, forward investment in staff and plant, and affordable, safer solutions.
- 9 **NHS PASA** did this regarding multi-functional products and photocopiers. Benefits include potential cost savings of £25m per annum, energy efficiency savings, reuse and recycling of materials and employment of local field engineers.
- 10 **BT** have, since implementing such an initiative in 2001, accrued savings of over £409m and bolstered their reduction in CO<sub>2</sub> emissions which to date equates to over 576 KTEQ. **HM Prison Service** has recently introduced video-conferencing for remand prisoners' court appearances. A CBA on the initiative concluded that capital costs of acquiring and installing the video-conferencing system were financially offset by reduced journeys and escorting staff costs. Over the 7 years of life of the contract the Net Present Value was calculated to be £645,776, at a 3.5% discount rate.
- 11 An Energy Efficient Recycling Fund is operated by **Woking Borough Council**, where financial savings achieved by energy and water efficiency projects are ploughed back into an ongoing recycled capital fund. This has led to a total investment of £2.2m in over 85 projects in the last nine years.
- 12 Ensure all local authorities are signed up to the **National Procurement Concordat for Small and Medium-size Enterprises** in order to develop and stimulate a varied and competitive marketplace.
- 13 This measuring tool developed by the **New Economics Foundation** is being employed by several local authorities to evaluate the wider economic impact of contracts. For example, by applying LM3 to their food contracts, **Northumberland County Council** found that local suppliers re-spent on average 76% of their contracts with local businesses – by shifting 10% of current spend to local suppliers, an extra £34 million would be generated for the local economy.
- 14 **Vodafone** has published a Code of Ethical Purchasing which ensures the UN Universal Declaration of Human Rights and the International Labour Organisation Conventions on Labour Standards are adhered to throughout Vodafone's supply chain. By undertaking risk and expenditure analyses, Vodafone has been able to form strategic partnerships with its global suppliers, working with them to continuously improve performance.
- 15 The **Edinburgh Fairtrade City Initiative** was launched in the City Chambers in December 2003. Edinburgh received its Fairtrade City Status in March 2004. The authority passed resolutions supporting Fairtrade – agreeing to serve Fairtrade products in its meetings, offices and canteens; in the area's shops and local cafes/eating establishments; and in a number of local work places and community organisations (churches, schools etc.)  
To help sustain the initiative, the council pledged to attract media coverage and popular support for the campaign; a local Fairtrade steering group was convened to ensure continued commitment to Edinburgh's Fairtrade City status.

Context

Figure 5: Mapping mandatory product specifications

	Construction	Health & Social Work	Energy	Waste	Paper	Furniture	IT Services	Office Machinery	Textiles	Food	Pharmaceuticals	Chemicals	TV and Radio	White Goods	Business Travel	Motor Vehicles	None
Lighting Systems			Chainsaw Lubricants		Copying Paper	Wood Products		Personal Computers	Textiles		Detergents (laundry)	Hydraulic Fluids	Mobile Phones	Fridges & Freezers		Cars	Lightbulbs - Single Ended
Energy Control Gear					Paper for printed publications			CRT Computer Monitors			Detergents (all purpose cleaners)		Televisions CRT	Washing Machines			Lightbulbs Double Ended
Thermal Screens					Envelopes			LCD Computer Monitors			Detergents (sanitary)		Televisions LCD	Dishwashers 10 Place Settings			Soil Products - Growing Media & Soil improvers
Motors and Drives					Tissue Paper - Kitchen and Toilet			Portable Computers			Detergents (dishwashing hands)		Televisions Plasma	Tumble Dryers			
Air Conditioning Units								Laser Printers			Detergents (dishwashers)		Televisions with integrated digital receiver	Washer Dryers			
Cellar Cooling Equipment								Scanners					VCRs	Electric Ovens			
Paints and Varnishes								Photocopiers					DVDs	Refrigeration Cabinets			
Water Using Appliances - Low Flush Toilets													Terrestrial Digital Adapters				
Glazing								Portable Power Supplies					Faxes				
CHP and large boiler systems																	
Gas Boilers																	
Central Heating Systems																	
£22,252m	£21,290m	£3,544m	£4,529m	£1,664m	£1,163m	£3,569m	£6,503m	£943m	£3,514m	£8,927m	£490m	£4,214m	£125m	£3,763m	£1,618m		

Spend figures taken from the [Defra] analysis of the ONS National Accounts



# A National Action Plan

## 2.1 Where do we want to get to?

The Task Force was asked to recommend actions to make the UK a leader in sustainable procurement in the EU by 2009. Its first task was to understand both what other countries were already doing – to establish what it would take to lead – but also where to learn from best practice and to set out what a leadership position in 2009 would look like. In practice, 2009 should be regarded as a staging post. Many of the changes the Task Force is recommending will take longer to have their full impact. And the Task Force recommendations need to build on what has gone before.

## 2.2 Where are we now?

The Task Force's international benchmarking work suggested that the UK is currently in the top group but not the top EU performer on green (i.e. environmental) procurement. Most countries included in the benchmarking have been active in the field of green public procurement, to a greater or lesser extent, for years. Previous studies have shown that the UK is above the EU average for green public procurement as measured on inputs in the EU GPP 2005, ICLEI Eco-procurement survey 2003 and in the top seven countries. There is no survey that measures outputs. WG1 has identified that no country in the benchmarking exercise has a well developed approach to address social issues. The UK is one of a number of countries which have started to take active steps to include social issues in their public procurement process. On green public procurement the EU leaders are: Sweden, Austria, Denmark, Netherlands, UK, Germany, Finland. Countries which are active on sustainable procurement are Switzerland, Belgium, France, UK, Netherlands, Finland, Austria, Norway, Canada, Denmark and New Zealand. Leading countries are characterised by senior level responsibility (Switzerland, France, Belgium and Canada) and for green public procurement, specific guidance in the form of product standards/criteria documents. Eco-labels are also widely used in these countries. Most sustainability initiatives are focused around timber, food, construction and clothing.

The US has been active in driving markets through public procurement and has had success in the use of the Energy Star labelling scheme for computers, for example. In Japan, through a combination of policy tools that included legislation on green purchasing, sales of low emission vehicles have increased dramatically in recent years. For the national government

## 2

## A National Action Plan

the proportion of low-emission vehicles in its fleet has risen from under 20% in 2001 to 100% in 2005 (ref 14).

No country systematically integrates all three pillars of sustainable development in public procurement – though many aspire to. Many countries can offer individual examples of good practice – and we suggest the UK can learn from many of those. But the UK should not just look to other countries. There is much to learn from adopting best private sector practice and applying it the public sector. Leading private sector companies now address social and ethical issues in their supply chains.

The Task Force believes a much more systematic approach to sustainable procurement will allow the UK to move into a leadership position. This has the potential to make a significant contribution to setting the UK economy onto a more sustainable trajectory while offering better value for money for current and future taxpayers. A more detailed view of what leadership might look like is set out in the next section.

## 2.3 Vision of a leader

### Description of a future public sector leader in Sustainable Procurement

A leader will have effective professional procurement practices embedded in their organisation(s) and will ensure that procurement is recognised as being vital to the delivery of the organisation's(s') corporate objectives.

A Leader will have an overarching strategy for sustainable public procurement (the Strategy), within a wider strategy for sustainable development. The Strategy will have the endorsement of senior managers and political leaders, with a clear delivery plan that will outline responsibilities, resources and monitoring and evaluation procedures, the outputs of which will be independently audited and reported in the public domain, demonstrating good progress in achieving sustainable outcomes. A wide group of stakeholders will have been involved in the development of the Strategy which will be reviewed on a regular basis. The Strategy will cover both national and international sustainability impacts.

The Strategy will be outcome-focused with well-defined deliverables that cover environmental, social and economic issues such as<sup>4</sup>: reducing CO<sub>2</sub> emissions and O<sub>3</sub> depletion; encouraging recycling, waste prevention, resource and energy efficiency; dealing with chemicals, biodiversity loss, forest management and water pollution; tackling child labour and slavery; promoting equal pay, good working conditions, better health and safety; improving training and skills' provisions; supporting value for money, job creation, local regeneration, small to medium sized enterprises (SMEs) and supply chain diversity. Core ILO conventions will routinely be applied to all contracting activity and suppliers will recognise their role in support of ILO objectives.

The Strategy will give clear guidance and direction by setting a minimum level of environmental, social and economic specifications for a list of products and services that form the highest impact areas of government spend. The list may include: construction

<sup>4</sup> The list is not exhaustive.

and materials<sup>5</sup>; cars, buses and public transport; IT hardware, consumables and other electronic equipment; stationery and paper; furniture; military equipment; clothing and textiles; cleaning products; electricity and renewable energy; white goods (household appliances); timber; oils and chemicals; food and catering; pharmaceuticals; mechanical equipment; heating/cooling equipment and lighting. The Strategy will recognise the potential of new technologies and encourage the market to respond innovatively to public sector needs. Innovation that improves sustainability will be actively sought and rewarded.

The Strategy will be delivered through a core/central group of sustainable procurement experts who will also be responsible for maintaining momentum and driving this agenda forward. This group will be the main point for policy advice, mentorship and training on both theoretical<sup>6</sup> and practical<sup>7</sup> sustainable procurement matters.

The Strategy will be supported by incentives such as awards, fiscal bonuses, a strong focus on training and awareness raising, and it will be linked to individuals<sup>8</sup> key work objectives through an effective performance management system. In addition, existing cultural, organisational and fiscal disincentives for adopting sustainable procurement will be removed and short-term cost premia for the purchase of more sustainable solutions will be accepted, especially if it can be robustly demonstrated that this generates long-term value for the tax or council tax payer.

Procurement decisions will be made based on whole life cost taking into account life cycle issues, whose direct or indirect benefits will be acknowledged even when accrued to other parts of government and wider society. A track record of sustainability benefits delivered will be in place and publicised to recognise success.

A leader will demonstrate global responsibility and support others in achieving sustainable procurement. A leader will take calculated risks for others to follow. A leader will have a vision of the desired long-term outcomes, together with a clear plan for prioritised continuous improvement.

The potential for leadership is reflected in the huge amount of international interest in the work of the Task Force. The Marrakech Task Force on Sustainable Public Procurement, being led by Switzerland, has already expressed interest in using the approach recommended by the Task Force. There is also growing interest from international audiences on the proposals for capacity building, toolkits and a robust products knowledge base, which the UK is discussing internationally through its leadership of the International Taskforce on Sustainable Products (under the UN Marrakech process). The wider dialogues on sustainable development that the UK is taking forward with China, India, Brazil, Mexico and South Africa, highlight an urgent need for the UK to put more sustainable procurement into practice, to set the pace, transfer learning and spread good practice beyond the UK. Early dialogue with China on sustainable procurement has already begun.

<sup>5</sup> Including housing, municipal buildings and civil engineering work.

<sup>6</sup> Domestic, EU and international policies and regulations and research.

<sup>7</sup> Hands-on procurement advice.

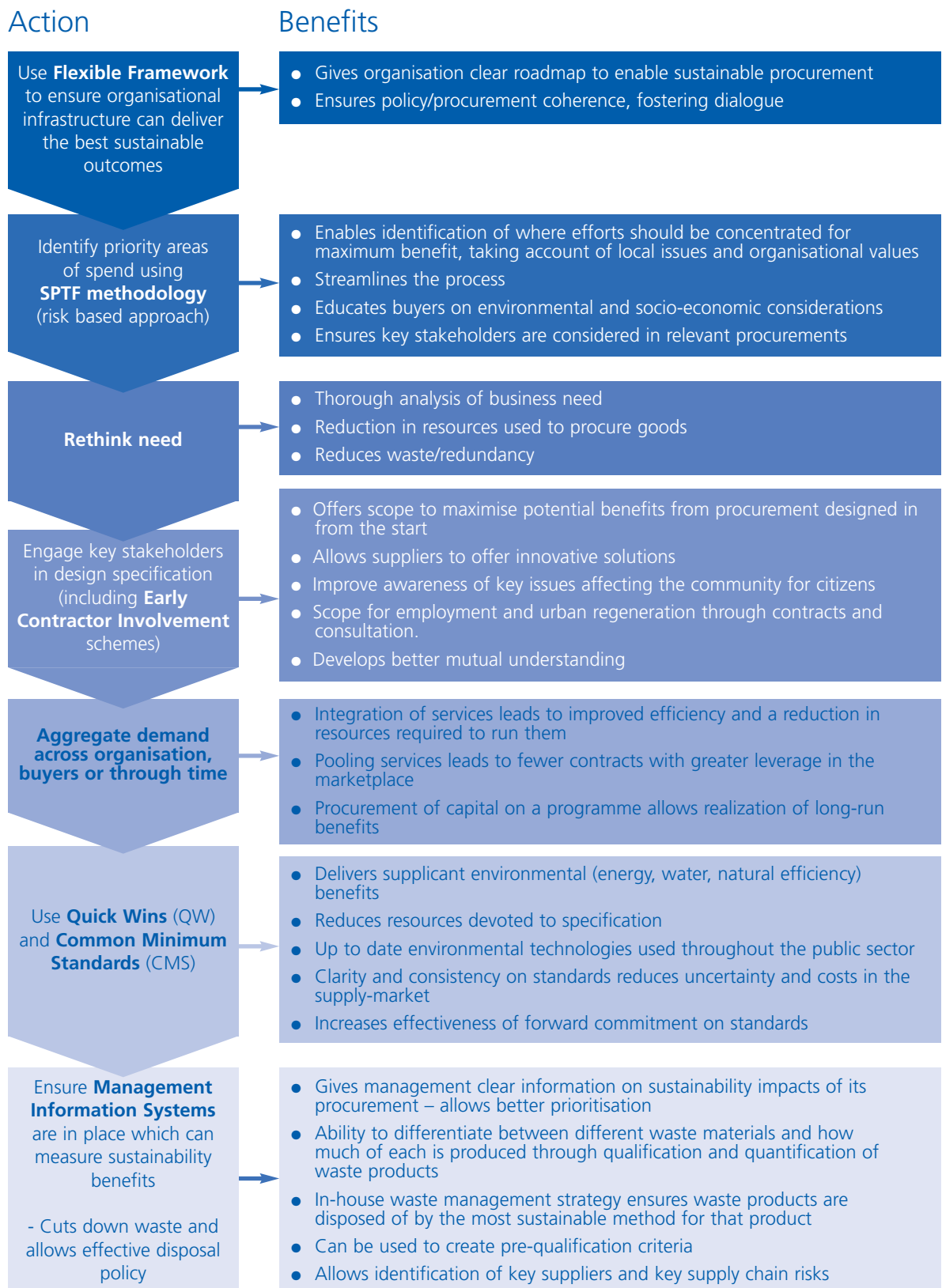
<sup>8</sup> Including procurers, general staff and middle/senior managers.



## 2

## A National Action Plan

**Figure 6: Flowchart showing how sustainability can be integrated into procurement and associated benefits**



## 2.4 Recommendations for Action

The next section outlines the Task Force's recommendations for action. Where appropriate, the Task Force has identified who needs to take which actions and has set out a series of milestones to 2009. The fold-out table on the back cover summarises our recommendations and milestones.

The Task Force's recommendations for action are aimed at addressing the barriers identified both in earlier work (by NAO, EAC and others <sup>refs 15-17</sup>) and from our own investigations and research findings. The relevant barriers are identified at the beginning of each recommendation. We then set out the evidence behind each of our recommendations and diagnose the issue, drawing on the output of working groups and feedback from a range of stakeholders. The specific actions required to deliver on each recommendation are then outlined in more detail. This is where the Task Force identifies those it believes should take responsibility for delivery, whether it be the top of government or every public sector organisation or a specific scrutiny body, for example.

The Task Force has been concerned to describe the benefits of taking the actions proposed and a summary of the main benefits accompanies each recommendation (see Figure 6: Flowchart of how sustainability can be integrated into procurement and associated benefits). Throughout the development of the Action Plan, the Task Force was reminded that without more effective scrutiny and sanctions, sustainable procurement in the public sector would not be delivered. So, for each recommendation the Task Force has identified what form of monitoring, review, scrutiny and sanctions need to be put in place (or implemented more effectively than at present) to deliver the step change in behaviour required. This is not to underestimate the role of incentives, rewards and awards, and the recommendations make reference to the appropriate use of all of these measures in delivering change.

To reinforce the need to inspire behaviour change, each recommendation is accompanied by several examples of good practice under the heading of 'Getting it right'. Full case studies and further examples can be found on the Sustainable Procurement Task Force website at [www.sustainable-development.gov.uk/government/task-force/procurement/index.htm](http://www.sustainable-development.gov.uk/government/task-force/procurement/index.htm). The Task Force believes that it is important to acknowledge the work of leaders in the field and to encourage others to follow their example. While sustainable procurement is a complex agenda, many leading exponents in both the public and private sector from the UK and beyond, demonstrate that it is possible for everyone to make progress.

We have adapted the behaviour change model used in the *Strategy* to illustrate our recommendations for action (see Figure 7: Behaviour Change Diamond). During the course of our work, the need for scrutiny and enforcement came across so strongly that we have included 'enforce' as one of the four elements in the behaviour change model.

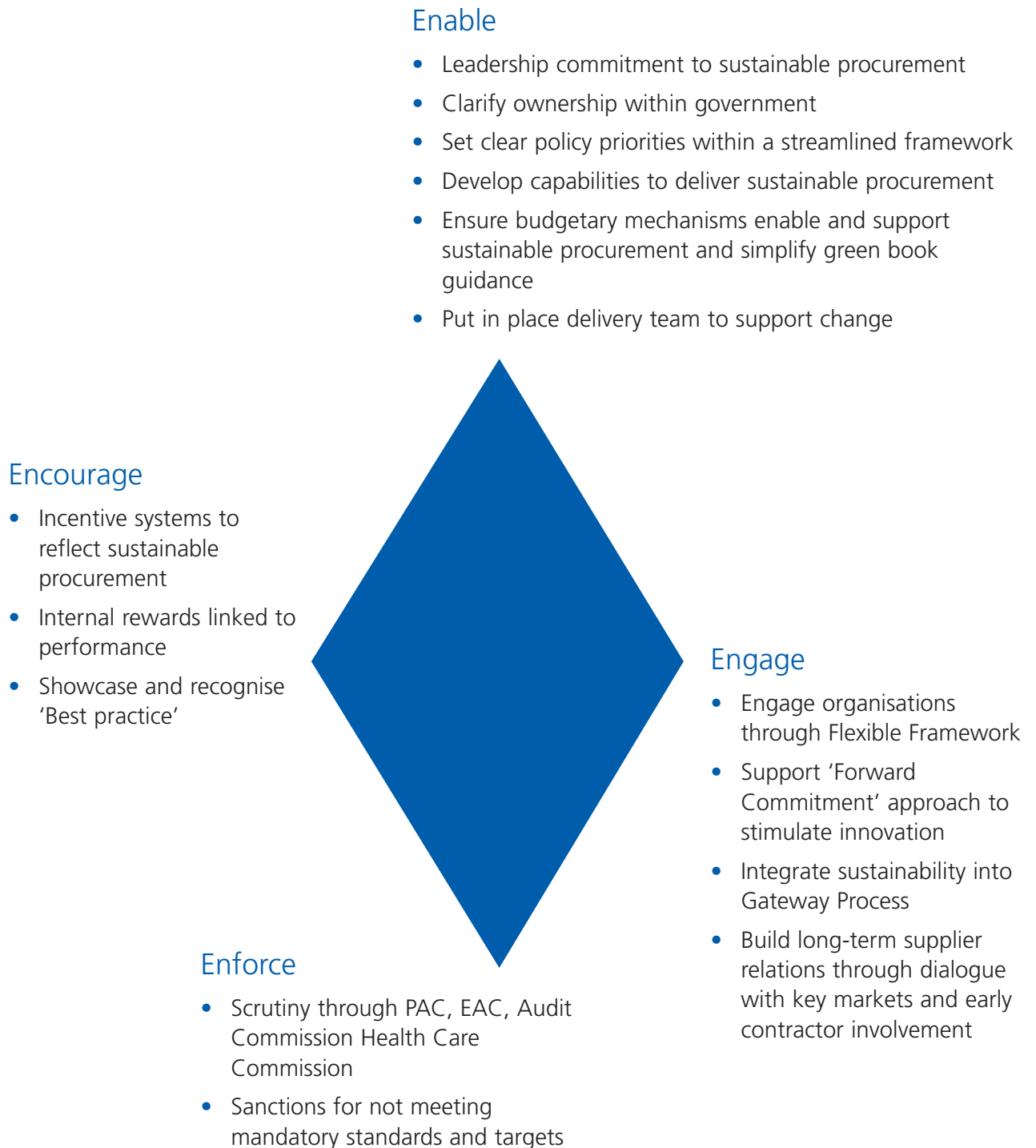
One of the key messages of our work is that it is important for everyone to make a start (or continue to make progress) and the Task Force has begun to show how everyone can do this and do it immediately.

## 2

## A National Action Plan

**Figure 7: Behaviour Change Diamond**

## Sustainable Procurement





## Recommendation 1: Lead by example

### *Make sustainable procurement a leadership priority and clarify ownership within government*

#### Barriers addressed

- Lack of leadership and commitment to sustainable procurement within public sector organisations
- Confusion about who “owns” sustainable procurement
- Poor incentive systems within public sector organisations
- Mixed messages sent to suppliers on value of sustainable offer

#### Diagnosis and Evidence

The issue that this recommendation seeks to address is not new. Repeated studies of the failure of government to make more progress on sustainable procurement have pointed to the lack of leadership from the top on sustainable procurement.

The latest NAO report on sustainable procurement in central government, stated that:

*“Nine departments commented that there was, at present, insufficient leadership on sustainable procurement, both in government as a whole and within individual departments. This attitude indicates that it is unclear to departments what approach they should be taking, and that stronger leadership may be required”*

This is confirmed by other reports and by the Task Force’s own survey of Permanent Secretaries in government departments<sup>9</sup>. Such leadership was viewed as an absolute prerequisite for success by the Chief Executives on the Task Force who had transformed their organisations into more sustainable procurers. They regarded taking responsibility for their purchasing and the impact of their supply chain as a key part of their risk management, and found it difficult to understand why public sector leaders did not consider unsustainable procurement as a risk.

This lack of leadership from the top is then reflected down the organisation in lack of accountability for sustainable procurement. Without an obvious organisational commitment to sustainable procurement, those making buying decisions were unclear on the priority to give to sustainable procurement while they were left in no doubt about the organisational priority attached to delivering efficiency savings. This may explain the evidence the Task Force found that even where there are minimum standards in government, there is little

<sup>9</sup> See Working Group 5 report on the SPTF website at <http://www.sustainable-development.gov.uk/government/task-forces/procurement/index.htm>

## Recommendation 1: Lead by example

enforcement or sanctions for failing to observe them. The existing Framework for Sustainable Development on the Government Estate<sup>(ref 18)</sup> and the Public Service Agreement (PSA) system do not provide vigorous mechanisms to enforce accountability for sustainable procurement.

*“No respondent doubts that sustainable procurement requires leadership. Many question whether that leadership exists, both in government and in their own organisation. Public sector respondents question both, whereas the private sector is generally less critical of itself on this score.”*

*“There is a consensus that organisations need to integrate sustainable procurement through the systematic adoption of sustainable procurement policies, strategies, and processes, which are empowered by top-level support. This contrasts with the reality in which the pursuit of sustainable procurement is often the preserve of a small number of interested but frequently isolated individuals ... For local authorities, the support of elected members and directors is essential.”*

Forum for the Future research<sup>10</sup>

This is compounded by the attitude of the Public Accounts Committee, Parliament’s watchdog on public sector spending that continues to interpret value for money in a narrow way. So when those responsible for public sector spending are questioned on value for money, they are not probed on sustainability aspects. This in itself encourages both risk aversion and a tendency to focus on lowest cost not best value. Based on evidence to the Task Force, options with very short payback periods are being overlooked by public sector purchasers, which means that value is being left on the table.

In local government, the big driver of performance to date has been the Comprehensive Performance Assessment (CPA). Although the Task Force found a lot of very good practice examples in the best local authorities, sustainable procurement is not valued within the CPA. Local government officers and members consulted by the Task Force stressed the need for the CPA regime (or successor systems) to value sustainable procurement. The view of a Sustainability Officer in a District Council was representative:

*“There are no positive incentives to be sustainable, e.g. good marks in CPA, encouragement in grant-aided services, price premiums accepted and funded”.*

Forum for the Future research

The result of this lack of leadership is that commitment in principle to sustainable development and sustainable procurement did not translate into sustainable procurement in practice. All of the big suppliers to government represented on the Task Force produced examples of where they had incorporated more sustainable options with reasonable paybacks in their bids to the public sector only for the sustainable option to be omitted when the contract was finally let. This behaviour continues to cause scepticism among government suppliers about the degree to which the public sector is really willing to value sustainability.

<sup>10</sup> Where reference is made to Forum for the Future research, see reference 19.

### A supplier's view

If the procurement activities of the public sector are to help deliver sustainability objectives, there needs to be a consistent and unbroken connection between sustainability objectives expressed at the highest level in Government and those expressed in the specification for the facility/service/asset that is being procured. In our experience – as a supplier of construction and support services, responding to specifications issued by public sector clients – this connection is often not found. We also observe a lack of consistency in time; issues that are important at presentation and tender stage are often driven out during the final negotiations. For example, we are told that the targets for water use, energy use and other impacts, set by the Framework for Sustainable Development on the Government Estate, are applicable to all the central government departments and their executive agencies, but we have no recollection of being asked to address the water-saving target.

Morrison Plc

Related to these issues of leadership and accountability is the issue of ownership within government. This again has been a key theme in recent reports on sustainable procurement. At the moment no organisation takes responsibility for enabling sustainable procurement. OGC is responsible for ensuring high quality public sector procurement; Defra leads for government on sustainable development, but its specific expertise is on environmental aspects. Other departments own other policies through procurement. One of the key messages of the Task Force is that sustainable procurement is good procurement and therefore it makes sense for the lead on procurement to lead on sustainable procurement. For this agenda to move forward it is necessary that the chosen owner is both resourced and willing to take it on.

The business sector has incentives in place to motivate and support all tiers of staff in its effort to deliver its objectives. Positive incentives are less consistently applied in the public sector.

#### Actions required:

**A1.1 Government must provide clear policy leadership from the top on sustainable procurement – from Prime Minister, reflected through Permanent Secretary/CEO performance contracts and incentives.**

**A1.2 Government must make sustainable procurement an integral part of public sector procurement, owned by OGC and resourced to help public sector buyers to deliver.**

**A1.3 Public sector audit organisations must make clear that they are auditing for long-term value for money and thus for sustainability. Managers must be held to account for failure to meet minimum standards.**

## Recommendation 1: Lead by example

**A1.4 Government must include clear and measurable targets on sustainable procurement in the revised framework for sustainable development on the government estate.**

**A1.5 All public sector organisations must link incentives to organisational capacity and to delivery in priority areas and these must be cascaded through their performance management systems.**

### Benefits

This approach will demonstrate commitment from the highest levels of Government by allowing closer examination of performance. It will provide greater transparency of performance through benchmarking. There will be closer integration of resource allocation and sustainable development objectives and since economic development and sustainable development are mutually reinforcing, the benefits of sustainable procurement should become more apparent. There will be one single owner for all public sector procurement-related policy, providing clarity and consistency of message both internally and externally and giving closer integration of sustainable development and procurement objectives as well as reducing uncertainty and confusion. Crucially, it will have the effect of raising the profile of procurement in general and will show how sustainable procurement links to commercial opportunities and wider organisational objectives.

### Scrutiny

- Establish a transparent and effective assessment and scrutiny process for sustainable procurement, tailored to all public sector organisations, with sanctions for non-compliance. The public sector should report performance against the Flexible Framework on a regular basis.
- Scrutiny bodies such as Public Accounts Committee and National Audit Office to link sustainable procurement objectives and targets to the scrutiny process.
- SDC in its watchdog role, Audit Commission and Healthcare Commission should act as chief assessors of sustainable procurement of central and local government and the health sector respectively and the public sector should report on its performance on a regular basis.

### Getting it right

#### Norway

Clear leadership combined with a delivery plan is demonstrated by Norway's approach to sustainable development. Through the years, several approaches were made to find a host for sustainable development. After unsuccessfully trying the Prime Minister's office and the Environment Ministry, a decision was made to allocate responsibility for this agenda to the Ministry of Finance, realising the strong link between economic development and sustainable development. Within this structure, the Environment Ministry sponsors the GRIP programme, which is responsible for Norway's approach to green procurement.

## Denmark

Denmark, one of the leading countries in green public procurement, has committed all government institutions to include environmental aspects into the purchasing process. National Procurement Ltd provides a commercial purchasing service to government institutions that takes environmental issues into consideration. This is achieved by including environmental criteria into framework agreements with suppliers of a wide range of products that are used by over 7,000 subscribers. Green purchasing guidelines for 50 product groups have been developed by the Danish Environmental Protection Agency and are distributed via National Procurement Ltd. The latter is half owned by the State (Ministry of Finance) (55%) and by the National Association of Local Authorities in Denmark (45%).

## Sustainable Food and Timber in the UK

The UK government has taken a lead on sustainable food and timber procurement in the public sector. A cross governmental initiative is using the government's annual £1.8 billion purchasing power on food to procure more sustainable and nutritious food for our nation's schools, hospitals and public sector canteens. The UK government is also committed to purchasing legal and sustainably sourced timber. To achieve this, a central point of expertise for timber (CPET) has been established as well as guidance and model terms and conditions. Since the introduction of this, an increase in demand for certified timber products from UK public sector bodies has been reported.



## Value Wales

Value Wales uses a cross cutting sustainable procurement programme across 108 organisations to achieve better value for money.

Value Wales (Procurement) tackles procurement across the 108 organisations that constitute the Welsh public sector, through measures such as guidance, tools, and websites. It aims to achieve better value for money in public sector expenditure and employs a cross-cutting sustainable procurement programme. Benefits include the development of a sustainable procurement tool that has helped partner organisations identify areas of action e.g. one University partner is trialling automatically shutting down PCs at night, another NHS partner has changed the clinical bags it uses to ones which are lighter and transparent making them more fuel efficient and safer.

## Recommendation 1: Lead by example

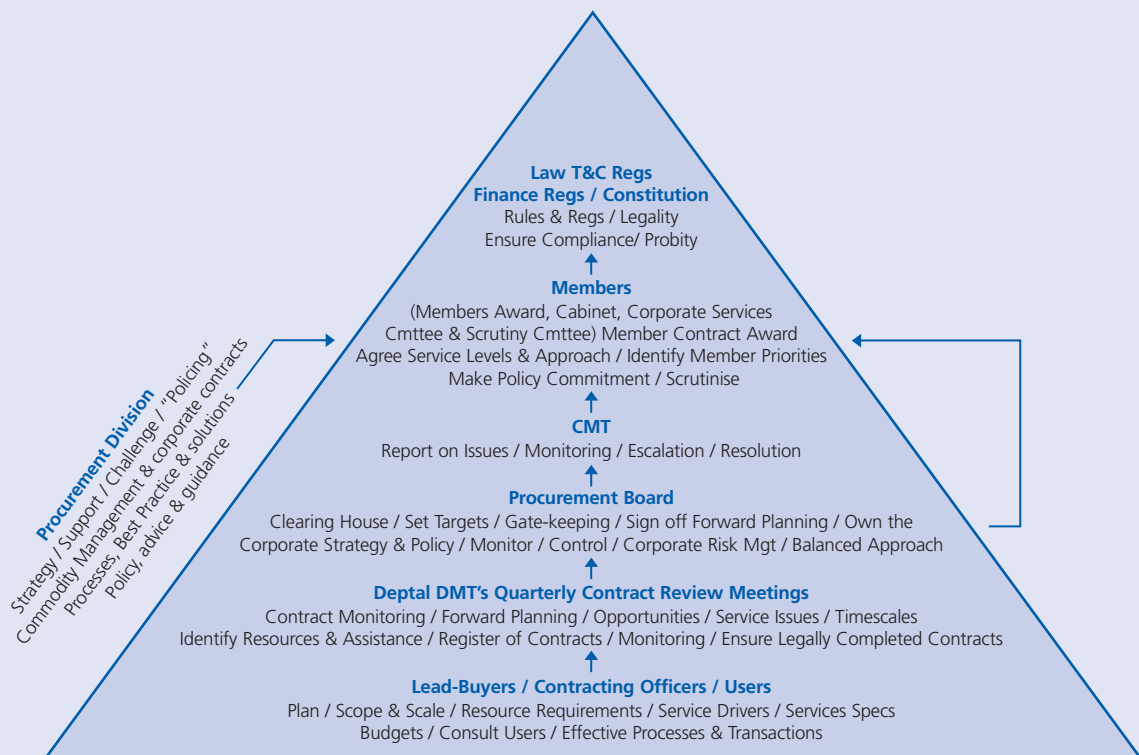
### NHS Purchasing and Supply Agency (NHS PASA)

NHS PASA is a leader in the governmental sector for best practice in procurement. They hold ISO14001 accreditation which covers procurement activities, with annual objectives and targets covering sustainable procurement. They are involved in the development of policies and procedures around environmental risk assessment, food procurement action plans, environmental purchasing procedures and sustainable development policy. They also have a Supplier Environmental Questionnaire and operate a number of ongoing initiatives to engage and support SMEs.

### Croydon Council: Procurement Governance Structure

Croydon Council revised their procurement and governance structure and set up a procurement board as a 'clearing house' for procurement decision making. Board membership consists of Chief officers and departmental procurement leads as well as representatives from HR, legal, finance and their major projects group. The Departmental Management Team's role will also be strengthened to improve their involvement in contract review and procurement planning. This revised procurement governance structure will ensure clarity of the key decision points in the contracting process; improve forward planning; consolidate good practice and ensure appropriate challenge and gate keeping.

#### Croydon Procurement Governance Structure



## Recommendation 2: Set clear priorities

### *Streamline the framework and provide clarity on policy priorities*

#### Barriers addressed

- Lack of clarity and proliferation of priorities
- Lack of cross-government buy-in to sustainable procurement agenda
- One size fits all approach
- Guidance overload
- Disconnection between frameworks

#### Diagnosis and Evidence

Government has a wide range of policies in which public procurement has been identified as a route to delivery, such as working with the Third Sector, development of the Small to Medium Enterprises within the economy, race equality, etc. This results in a vast array of guidance documents for procurers, which in practice are rarely applied. Many procurers complained to the Task Force about there being too much guidance which is sometimes contradictory and often confusing. They also reported a lack of clarity over the most important issues and about the difficulty in reconciling different policies in practice, for example, whether to choose disposable or reusable nappies, recycled paper or paper from sustainably managed sources, modern energy efficient IT equipment or older remanufactured equipment.

Meanwhile, as part of the Government's Efficiency Programme <sup>(ref 20)</sup> public sector organisations are responsible for implementing efficiency projects which are designed to achieve efficiency gains of £21.5 billion a year by 2008 including £6.45 billion through local government (NAO report on Progress in improving government efficiency Feb 2006) <sup>(ref 21)</sup>. The Task Force was left in no doubt that the Efficiency Programme does receive attention and is clearly a priority in the minds of those responsible for public sector spending decisions.

Using public procurement may not always be the most cost-effective policy solution, though the Task Force did not identify any areas in which this was obviously the case. However, there is a need to focus on outcome delivery – the public sector needs to be able to articulate and measure these outcomes in order to demonstrate value for money.



## Recommendation 2: Set clear priorities

*“I’m paid to obtain best value for money. That is measurable. I’m not paid to use my position to pursue personal crusades, particularly if additional cost or time is involved. I therefore need a framework, a value proposition, which I can use as my operational guide – not because I lack initiative, but because I am responsible. It’s no good just saying “we’re in favour of sustainability”. We need to be clear as to how that translates into definite action, and how far we can go in devoting time and money to it.”*

**University Director of Procurement. Forum for the Future research**

The need for prioritisation is illustrated in Figure 8 which shows existing policies that are being delivered, at least in part, through public procurement. Mapping these policies against the three pillars of sustainable development – economic, social and environmental – shows the extent to which they can be described as dimensions of sustainable procurement. In most cases, OGC has been involved with the lead department in writing guidance on how procurement can be used to deliver these policies.

It is clear to the Task Force that there is an urgent need to integrate and if possible rationalise these initiatives as it is often difficult for procurers to manage 20-plus different policy through procurement initiatives and they don’t know where to focus limited resources.

*“No greater merit or credit is given to a sustainable contract than a contract that delivers efficiency savings. This is not because of EU procurement rules – this is lack of clarity on behalf of UK government in what it wants to achieve.”*

**Head of Policy, Non-departmental public body, Forum for the Future research**

In the NAO report departments highlighted the need for sustainable development to become integrated into the everyday running of departments, so that it is not seen as a separate and peripheral concern. For sustainable procurement, this means incorporating sustainability considerations into every part of the procurement process: from identifying the procurement need right through to contract management.

At the same time it is clear that the priorities the government has set for sustainable procurement – in particular the Quick Wins and the Common Minimum Standards for Construction do not have either high level awareness or buy-in – and so are having little impact.

In its most recent report on sustainable procurement, the NAO states that:

*“Sustainability considerations could be better mainstreamed into public procurement practices: OGC should amend the Gateway Review process to clarify the way in which sustainability considerations should be addressed at each stage of the procurement process.”*

It was suggested to the Task Force that a precursor to a mandatory procurement policy should be the completion of an appropriate policy appraisal that properly accounts for economic, social and environmental costs and benefits.

Evidence to the Task Force has served to underline the importance of comprehensive decision making tools. Businesses regularly use frameworks to support, align and prioritise their sustainable procurement policies; the success of these is clearly manifested through their achievements in this field. Best practice in the private sector suggests it is important to



identify a few areas, which have maximum impact and to develop key performance indicators to get the process of sustainable procurement started.

At present there is no streamlined and integrated framework in government to ensure that policies developed by various parts of government take account of environmental, economic and social considerations. There is, for example, no filter mechanism to ensure that only real government priorities are included in an integrated procurement framework which meet the test of policy salience, cost-effectiveness and suitability to be addressed through procurement.

Research for the Task Force suggested that developing such a framework would be a good way to guide both policy makers and procurers in how to take non-monetary benefits into account (ref 22). OGC's recently published guidance on Social Issues in Purchasing, which touches on ethical contracting, training, encouraging social inclusion and consideration of racial, disability and gender equality issues as well as ILO standards, provides a good platform for building the links between better policy making and delivery of policy through procurement. It also touches on collective agreements and the process of excluding abnormally low tenders where they contravene labour laws and conditions.

Achieving maximum impact in the public sector must mean delivering best value, including the higher quality, wealth generation and often productivity levels that consideration of appropriate social issues can yield.

Work has already begun by the Environment Agency, Defra and others to benchmark performance in sustainable procurement against that of organisations in the private sector and other public sector bodies outside the UK (ref 23).

The Task Force found little evidence of sanctions being applied for non-compliance with government policies, whereas a unified sustainable procurement framework would allow for effective monitoring with sanctions.

## Recommendation 2: Set clear priorities

**Figure 8: Policy through Procurement**

**List of abbreviations**

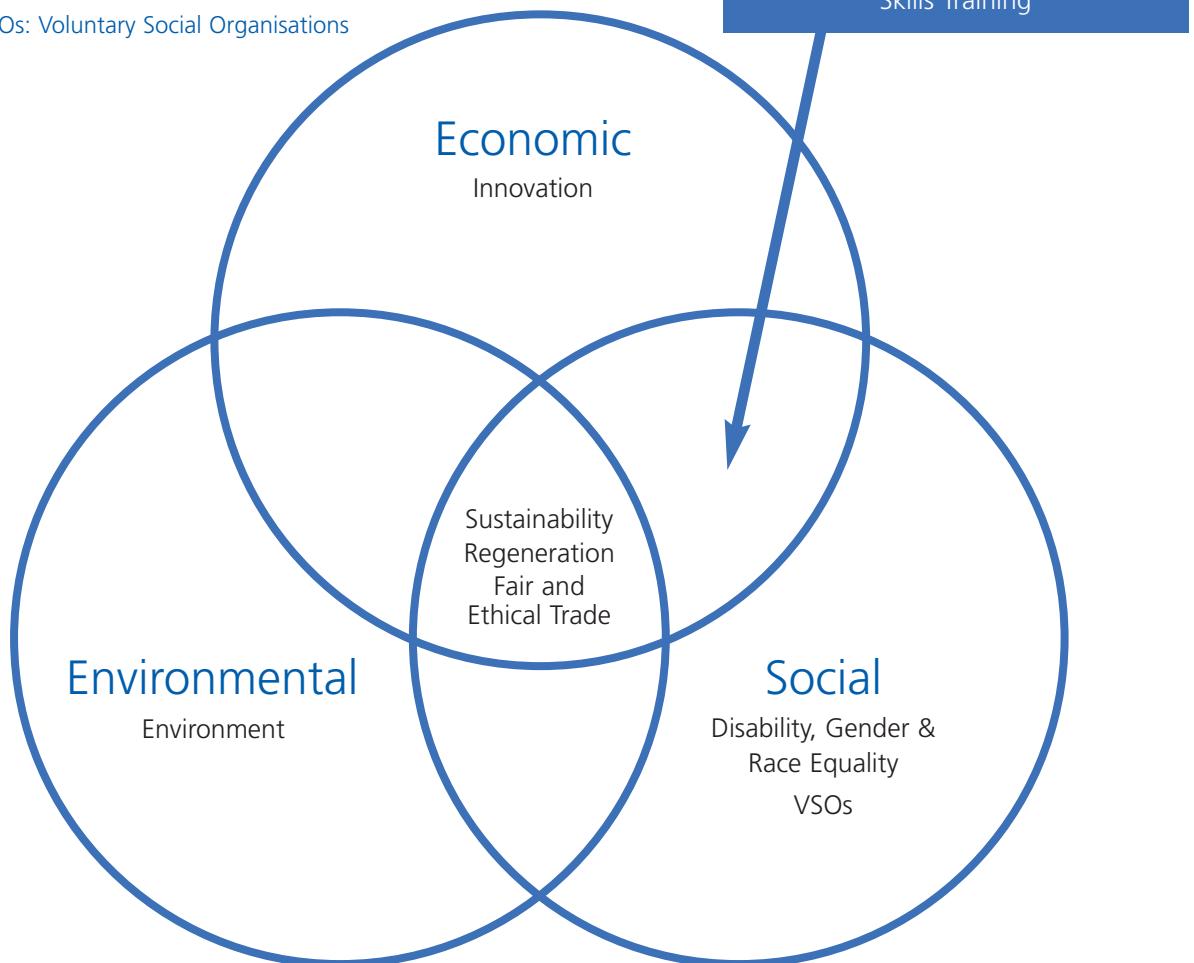
BMEs: Black and Minority Owned Enterprises

SMEs: Small and Medium Sized Enterprises

SEs: Social Enterprises

WOBs: Women Owned Businesses

VSOs: Voluntary Social Organisations



**Actions required:**

**A2.1 Government must produce and thoroughly communicate a clear restatement of its sustainable procurement policy which applies to all central government purchasing.**

**A2.2 Major public sector organisations must supplement this with their own sustainable procurement policy statement.**

**A2.3 Government must rationalise existing policies through procurement into one practical unified sustainable procurement framework covering environmental, social, ethical and economic factors. A very short guide to the new framework must be made readily available.**

**A2.4 Government must establish a filter process to ensure that only real government priorities are included in the integrated procurement framework which takes account of policy salience, cost effectiveness and suitability to be addressed through procurement.**

**A2.5 Government must establish and use a new 'Gateway – 1' process to ensure sustainability issues are incorporated at the first stage of major projects and track this through the life of the project.**

**A2.6 Government must ensure that the unified sustainable procurement framework is effectively applied with sanctions for non-compliance.**

**A2.7 All public sector organisations must define clear objectives and targets and put monitoring/reporting mechanisms in place.**

## Benefits

A more streamlined framework would give organisations and their procurement staff much more clarity on what they were required to do and how to do it. It would cut down the welter of guidance which is at present only partly applied. A more rigorous process for allowing policies to be pursued through procurement should ensure that government procurement was only used for priority objectives where it was an appropriate tool. A simpler and clearer framework – supplemented by local/ organisational priorities – should be easier to police and enforce.

## Scrutiny

- Scrutiny of major capital projects to include checks on sustainability proofing by Gateway panels.
- Include checks on policy development being assessed against Sustainable Procurement Framework.

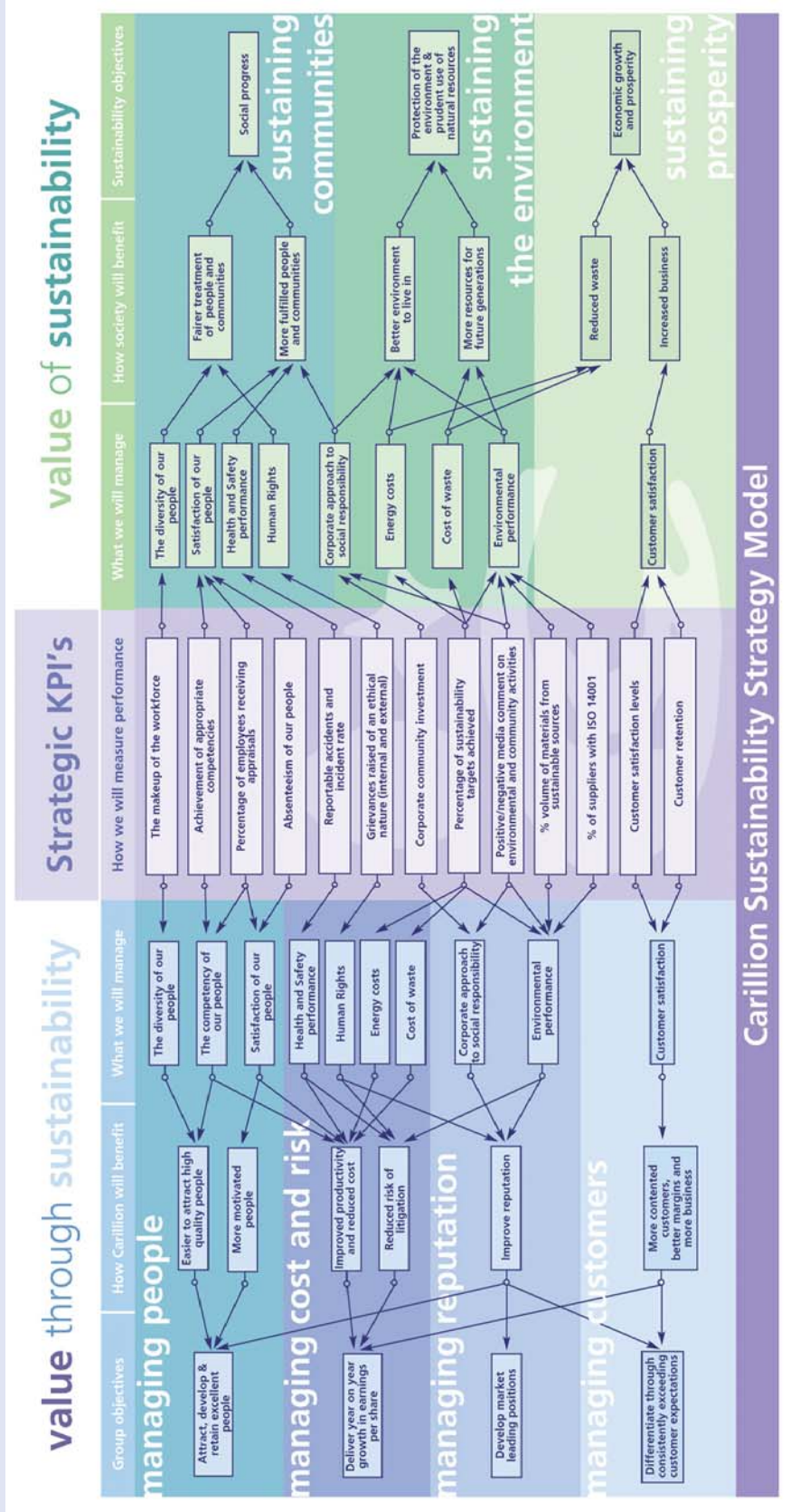
## Getting it right

### **Kirklees Metropolitan Council**

Integrating sustainable criteria into purchasing decisions in local authorities can be very challenging due to the diversity of purchases and the large number of staff involved in procurement. Kirklees Council use their Environmental Management System to help drive the sustainable procurement agenda forward. They have set a corporate environmental procurement policy and ensure that council services comply with it through their EMS audits. They also set sustainable procurement targets linked to objectives in the EMS and monitor performance against targets.

# Recommendation 2: Set clear priorities

Carillion



The Carillion approach is to map business objectives of the organisation to sustainability themes to demonstrate the link between the two. The diagram shows the link between strategic business objectives and sustainability outcomes. It also clearly demonstrates the structure that exists within the business to deliver this through KPIs (ref 24).

## Allied Domecq – Ethical Trading programme

In 2004 Allied Domecq plc began a programme to embed their Ethical Trading Policy into the Supply Chain. The Ethical Trading Policy was based on the following international standards:

- The Draft UN Norms of Responsibilities of Transnational Corporations and Other Business Enterprises
- The United Nations Universal Declaration of Human Rights
- The Fundamental Conventions of the International Labour Organisation (ILO)

The Ethical Trading Programme and policy was developed to fit in with the organization's overall Corporate Social Responsibility (CSR) programme. Ethical Trading responsibilities were integrated into procurement standard ways of working. This was achieved by identifying and training global ethical trading champions, responsible for managing the programme locally. The next step was to communicate with suppliers and work with them to identify where they may have issues in complying with the policy.

Allied Domecq also undertook a risk assessment of their supply chain in conjunction with external consultants. The risk assessment covered countries of manufacture; sectors and levels of spend with suppliers globally. The result was a scoring system which ranked suppliers risk level and enabled the organisation to prioritise effort with higher risk suppliers.

Key learnings from the programme included:

- The benefit of a top-down approach to ensure senior level buy-in to the programme from the start
- The value of including independent audits to inform the process and ensure external credibility

The programme achieved external recognition with Best in Class ratings on the two procurement sections of the Dow Jones sustainability index.

(Allied Domecq was acquired by Pernod Ricard in 2005 and part of the business sold to Fortune Brands)

## Recommendation 3: Raise the bar

### *Meet minimum standards now and set demanding goals for the future*

#### Barriers addressed

- Lack of prioritisation – paucity of product and service information base makes it difficult to set clear priorities, targets or standards
- Lack of enforcement and scrutiny of mandatory minimum standards (such as Quick Wins)
- Failure to signal future trends to the market – and thus failure to use public sector purchasing power to drive markets
- Failure to manage supply chain risk

#### Diagnosis and Evidence

Government has an obligation to set an example to the rest of the public sector, to industry and to consumers in the procurement of goods and services that meet or exceed minimum standards. This helps to drive markets for more innovative and sustainable solutions. However, the public sector's record in terms of meeting such standards is generally poor. This puts doubt in the minds of potential suppliers about how much the public sector really values enhanced sustainability performance. Conflicting signals from public sector purchasers do nothing to reassure suppliers or the investment community that government is serious about this agenda.

In terms of specification, guidance on timber and food procurement has begun to be implemented (as has guidance on construction, to some extent). But uptake of the Quick Wins list of products (covering minimum environmental performance) is much more patchy. There is currently a lack of systematic coverage of priority areas of spend in the public sector. So the UK public sector is losing credibility with the supply base due to conflict between the policy message and practice in individual contracts negotiated by different organisations.

Whilst government says that minimum standards such as “BREEAM” are mandatory, they are not enforced or monitored. There is no sanction for not applying them; last year only 17% of new public sector buildings rated as “BREEAM Excellent” while OGC’s Achieving Excellence in Construction Guide 11: Sustainability <sup>(ref 25)</sup> states:

*“Government Policy requires that all building projects should carry out an environmental assessment using BREEAM (or an equivalent). New build projects should achieve an ‘excellent’ rating and refurbishment projects should achieve at least a ‘very good’ rating.”*

Evidence from Scandinavia suggests that minimum standards are used more effectively, with much higher levels of compliance.



In its latest report on sustainable procurement the NAO said that:

*“We were told that members of many procurement teams thought that purchasing products which meet the Quick Win specifications was not mandatory, despite the fact that Ministers announced in 2003 that all central government departments must apply Quick Win environmental standards in new contracts.”*

The Task Force’s work revealed that many people in the public sector frequently buy products that (they assume) are legally compliant rather than those with enhanced standards of environmental or social performance, for a number of reasons including lack of information on social standards, product labelling, ignorance or purchase price.

It is clear from this evidence that in many parts of the public sector, ‘mandatory’ is being interpreted as meaning ‘optional’.

The Task Force found that only rarely is the public sector making the most of opportunities to signal its future requirements to the market and so drive performance improvements in products and services. One exception is found in the work of the Market Transformation Programme, but the Task Force found that even this activity was limited to relatively few products and markets such as energy-using products and white goods. In other areas of public expenditure, the knowledge base on sustainability impacts of products and services is poor or non-existent.

A potentially significant development reported to the Task Force is that, at the centre of government, work is underway to identify and categorise opportunities for public procurement action as follows:

1. Areas in which there are legal requirements or policy mandates
2. Areas in which government wants to actively promote sustainable procurement opportunities
3. Areas in which there is room for more action on the part of public procurers in line with local or organisational priorities

The Green Public Procurement (GPP) study concluded that co-ordinated provision of information, knowledge and support is a practice shared by most of the best performing member states in green public procurement. Sufficient information is important on both what the public sector spends its money on and the environmental and socio-economic impacts of that spending. However, this does not mean that the currently reported information deficit should stop decisions from being made.

Leading companies are already addressing issues of stakeholder concern in their supply chains, often in response to interest from the investment community, shareholders, employees, the media and other stakeholders. They recognise the need to protect brand image, to ensure security of supply and to achieve competitive advantage as elements of the business case for addressing social issues in their supply chains. The need to demonstrate corporate responsibility is reflected in the recent growth in benchmarking schemes such as Dow Jones Sustainability Index\*, Business in the Community’s Corporate Responsibility Index and FTSE4Good. Difficulty in quantifying intangible issues such as social impacts in global supply chains does not act as a deterrent. Leading companies are working towards a better

\* i) Dow Jones Sustainability Index available from: <http://www.sustainability-indexes.com/>  
 ii) Business in the Community’s Corporate Responsibility Index available from: [http://www.bitc.org.uk/programmes/key\\_initiatives/corporate\\_responsibility\\_index/index.html](http://www.bitc.org.uk/programmes/key_initiatives/corporate_responsibility_index/index.html)  
 iii) FTSE4Good available from: [http://www.ftse.com/Indices/FTSE4Good\\_Index\\_Series/index.jsp](http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp)

## Recommendation 3: Raising the bar

understanding of complex social and ethical issues, recognising that further research in this field will serve as a guide to taking informed procurement and supply chain management decisions.

Lack of knowledge, information and support provision impacts on the UK's competitiveness too; environmental technologies and other markets are severely restricted. Commercially, it means that significant opportunities are being missed with the global market for environmental technologies alone amounting to c. £275 billion currently – and forecast to rise to c. £365 billion by 2010. In the UK, the £25 billion environmental technologies sector employs some 400,000 people making it equal in size to the aerospace sector.

### Actions required:

**A3.1 Government must create knowledge base on products and services (and their sustainability impacts) focusing first on the priority spend areas identified by the Task Force.**

**A3.2 Government must engage internationally with key markets and other countries to establish new sustainability standards.**

**A3.3 Government must set mandatory minimum product/service standards for sustainable procurement in all priority areas (using Quick Wins as appropriate).**

**A3.4 Public sector organisations must work with business to identify and set future minimum requirements and so encourage investment in R&D by suppliers.**

**A3.5 Public sector organisations must ensure their national and regional contracts do not offer any products/services that fall below these minimum standards (e.g. NHS PASA, OGCbs).**

**A3.6 Government must work with the academic community and others on how to attribute value to social aspects of sustainable procurement and to stimulate debate around social issues.**

### Benefits

This approach will deliver a clear and consistent signal to the market. It will ensure that the public sector values the sustainable offer. It will help the public sector to ratchet up supplier and product performance over time and to identify potential savings. It will put the UK amongst the leaders on sustainable procurement. The public sector will benefit from increased security in the supply chain resulting from reduced risk and reputation exposure created by dealing with suppliers with poor social and ethical practices. Government will be able to demonstrate that its own ethical performance is as good as that of the leaders in the private sector.

### Scrutiny

- The public sector should include progress made to identify own priorities in addition to those priority spend areas identified by the Task Force and incentives/penalties put in place, in its regular reporting on sustainable procurement.
- Scrutiny bodies to report on uptake of/compliance with mandatory minimum standards and progress on Flexible Framework, at regular intervals.

## Getting it right

### Market Transformation Programme work on lighting

Carbon emissions associated with the energy use of the UK's non-domestic lighting sector were about 6.7 million tonnes in 2004. MTP analysed measures that could help reduce electricity use in the sector, in the short term, and improve the quality of lighting. The Lighting Industry Federation (LIF) and the Energy Saving Trust (EST) endorsed the recommendations made from this analysis and the identified measures informed the EST's Lightswitch Programme – an EST programme offering businesses rebates for installing energy efficient lighting. They also established targets to guide UK lighting suppliers. These measures resulted in a reduction of 2.7% of electricity consumption, a shift from 33% to 11% in the market share of the least efficient lamps and continuing movement in the market towards more efficient products; if market trends continue savings will reach 2.0 TWh/year by the end of 2008.

### Forward commitment approach

The Forward Commitment procurement model explored by the Environmental Innovations Advisory Group and the DTI/DEFRA Environmental Industries Unit with groups such as OGC, Environment Agency, NHS and local authorities mirrors private sector practice in using procurement (rather than grants and subsidies etc.) to promote investment in new products. The Task Force would like to see this approach given much more impetus. Part of the solution may be a 'procurement call' which would in effect give advance warning to the market of future public sector requirements or 'unmet needs'. This could be delivered through a web portal and would give the market the sort of notice it requires to respond with innovative solutions likely to be capable of meeting these needs.

### Japanese Green Purchasing Law

The Japanese Green Purchasing Law, enacted in 2000, aims to shift demand towards eco-friendly goods using the public sector's buying power. Government prioritises green goods' procurement, provides product information, encourages businesses to develop eco-friendly goods and employees to be environmentally aware. Manufacturers are obliged to provide environmental information on their products. Restrictions on diesel vehicles to limit the emission of harmful substances, as well as the "green tax" aimed at promoting low-emission vehicles, have contributed to increasing the percentage of these models to two out of every three cars that are newly registered in Japan.

## Recommendation 4: **Build capacity**

### *Develop capabilities to deliver sustainable procurement*

#### Barriers addressed

- Lack of appropriate and helpful information, training and accountability
- Ignorance: the term sustainability has little impact
- Suspicion: procurers are not convinced of the merits
- Confusion: mixed messages and confusing guidance
- Difficulty in calculating intangible benefits

#### Diagnosis and Evidence

Over the past few years the Government has made a considerable effort to raise the status of procurement within Government, to get senior management to regard procurement as important and to professionalise its procurement practices. For central government the creation of the OGC has been part of this and its extended remit will now give it wider scope to influence procurement practice across the wider public sector.

The public sector has made progress on timber and food<sup>(ref 26-29)</sup> but these examples prove that this cannot be delivered without some investment of resources. Meanwhile government also devotes substantial resource to helping the private sector change its behaviour and improve its practice. Examples here include the Carbon Trust, WRAP's procurement programme and Envirowise's Supply Chain activities.

It is clear that the capacity does not yet exist in most public sector organisations to deliver sustainable procurement. The OGC estimates that currently most public sector organisations would rate at Level one or below on the proposed Flexible Framework and that few will have benchmarked their capacity. This will raise the demand for expertise on sustainable procurement, there is no doubt that many in the procurement profession want to be able to put sustainable procurement into practice.

The Task Force investigated the attitudes of stakeholders to sustainable procurement and found generally broad support for the agenda, but also concerns about political commitment and mechanisms for delivery. The recommendations on leadership are designed to show that the government is genuinely committed to sustainable procurement. However, leadership is necessary but not sufficient. The Task Force found considerable evidence from pilots, conferences and stakeholder engagement that there is huge demand for capacity building. The Task Force's international benchmarking has shown that leadership and an effective, co-ordinated delivery mechanism are mutually dependent. In order to deliver the

Government's objective a major step change in sustainable procurement practice is needed and this will take dedicated professional resource on both a national and regional basis.

The recent NAO report states:

*“Sustainability considerations could be better mainstreamed into public procurement practices: OGC should amend the Gateway Review process to clarify the way in which sustainability considerations should be addressed at each stage of the procurement process.”*

Since good procurement is an essential precursor for the delivery of sustainable procurement, professional procurement practices need to be embedded into all parts of the public sector. The Task Force understands that many parts of the public sector currently lack professional procurement expertise and that people are routinely allowed to spend money without being appropriately trained – an issue that was also identified during the Gershon review. There is a need for organisations with major spend programmes to professionalise at the top as well – some government departments have demonstrated this through the appointment of Commercial Directors to their Boards.

Procurement professionals regard both environmental and ethical issues as important to their business. But a survey of the Chartered Institute of Purchasing and Supply (CIPS) tutors/lecturers carried out on behalf of the Task Force<sup>12</sup> confirms that sustainable procurement is not fully integrated into the current syllabus. There is confusion over definitions and the professional procurement body needs to be prepared to respond quickly to likely future needs of procurement professionals. Other professional bodies can expect similar demands including those in the fields of engineering, design, architecture and planning to name just a few. Failure to integrate sustainable procurement fully into the professional procurement syllabus of CIPS was reported as a major concern to many in the public procurement community.

Evidence presented to the Task Force suggests that there are opportunities to build on existing work aimed at integrating sustainable development into training through the Certificate of Competence, Professional Skills for Government and as part of the Better Regulation Task Force Programme procurer training on SMEs. Similarly, opportunities were flagged to the Task Force for government to work closely with other bodies such as the National School for Government and the Academy for Sustainable Communities to for example, develop education, training and professional development programmes for non-specialist procurers, internal customers or procurement and other significant decision-makers.

Existing training courses are often generic in nature and do not focus on how to deliver sustainable procurement. This is usually because the training provider is an environmental specialist rather than a procurement expert and reflects the lack of experienced practitioners to deliver sustainable procurement training to procurers.

Evidence presented to the Task Force indicates the need for an effective integrated sustainable procurement tool kit to support public sector organisation and covering, as a minimum:

- a staged approach to procurement performance improvement
- sustainable procurement tools e.g. risk assessment
- specification/product guidance for procurers focused on priority areas of spend

<sup>11</sup> See Working Group 5 report on the SPTF website at <http://www.sustainable-development.gov.uk/government/task-forces/procurement/index.htm>

## Recommendation 4: Build capacity

The view of the suppliers group and others from the business community is that government does not value the sustainable offer. The private sector does and is starting to realise the benefits. There is an identified gap in the support mechanisms for public procurers and other major spenders to understand how best to use their purchasing power, taking into account the opportunities and benefits to be gained through closer working with the supply chain, including the third sector, SMEs and other suppliers who experience difficulty in doing business with the public sector. There is insufficient co-ordination between key groups including policy-makers, specifiers and internal customers.

Feedback shows that procurers are often confused over competing priorities, scientific/supplier claims and the reliability of information. Experience from Norway shows guidance produced by procurement experts with environmental specialist input, aimed at different audiences is the most effective approach for greener procurement (ref 30). However, procurers consistently report that this needs to be supplemented by personal, practical advice from those with relevant expertise as they start to develop their own capability. The position on social issues is even less clear where current guidance is permissive, there is no obvious point of expertise and impacts are harder to value.

All of this is further compounded by a lack of data and management information systems to support and inform decision making and determine priorities at the local level. Not knowing how much is spent on what, by whom and with whom, seriously impedes procurement practice from both a commercial and a sustainability perspective. This issue dogged the Task Force in its attempts to analyse spend and relate it to sustainability impacts

There is currently a failure to recognise the many opportunities being missed across public sector organisations, coupled with a lack of understanding of the commercial benefits offered by sustainable procurement. There are synergies between sustainable procurement and some of the good procurement initiatives currently being promoted by OGC and others as in the case of e-procurement. The use of information and communication technology (ICT) can cut down on resource consumption directly, e-procurement is a potentially powerful tool to help to deliver sustainable procurement.

The Task Force was made aware of recent benchmarking exercises involving Defra, Environment Agency and a number of suppliers to government showed considerable room for improvement and learning from leading companies. This benchmarking exercise involved the Strategic Supply Chain Group (SSCG) and demonstrates the potential for this group to act as a conduit between the public and private sectors on the latest thinking and best practice in sustainable procurement (ref 23).

### **Actions required:**

**A4.1 Government must create a sustainable procurement delivery team to support policy development, research, practical advice and training to procurers both centrally and in regions.**

**A4.2 All public sector organisations must establish effective Management Information Systems to support delivery of sustainable procurement**

**A4.3 All public spenders must upgrade procurement capacity and train staff making spending decisions, including Gateway Review process issues as appropriate**



**A4.4 All public sector organisations must reach Level 1 (or above) of the Flexible Framework by end April 2007 and Level 3 (or above) of the Flexible Framework, with leadership (Level 5) in at least one area by December 2009**

**A4.5 All public sector organisations with procurement spend over £1bn per annum must appoint Commercial Director to the Board by April 2007**

**Role and activities for the sustainable procurement delivery team:**

- (i) produce practical training material for procurers, managers, suppliers, specifiers etc linked to progress against the flexible framework
- (ii) develop practical tools that address social, environmental and economic issues at each stage of the procurement process from identification of business need, risk assessment, tendering and bid evaluation to supplier management and end-of-life management, including web based tools and help-line. All key procurers in the public sector to receive sustainable procurement training during FY 2006/ 07, with refresher training provided on a biennial basis
- (iii) Adopt a train the trainer approach to delivery of training, including a web-based training tool
- (iv) Work with CIPS in their current work to refresh the syllabus to include a focus on sustainability issues in procurement and with other professional bodies

## Benefits

The benefits of this approach will be seen in better spending decisions and better procurement practice, leading to successful delivery of sustainable procurement with attendant benefits to the public purse and to the environment, economy and society. Benefits will accrue in government operations as well as directly through procurement, since internal customers will be better able to make informed spending decisions. Thus both the purchase and the operation of equipment will be undertaken with sustainability in mind.

## Scrutiny

- Public sector reporting on sustainable procurement to include progress made in including sustainability into procurement training and percentage of those involved in the procurement process, trained in sustainable procurement.
- Scrutiny bodies to report on gaps in the delivery team's approach and on changes made in the performance development system to link sustainability with personal performance objectives.

## Recommendation 4: Build capacity

### Getting it right

#### Kent County Council

Kent County Council Strategic Planning Directorate is aiming to build capacity for sustainable and local procurement through business analysis, supply chain development and development of procurement skills. The approach is highly applied and geared to:

- the analysis of business/enterprise – addressing needs and selecting opportunities;
- niche market and supply chain development;
- driving selected streams of procurement and related skills development

The flagship projects cover seven core areas of sustainable development, production and consumption: improved procurement specification; eco-enterprise; local produce (land based sector); construction; energy; waste and social enterprise. These initiatives recognise the 'in the field' reality that, while demand is growing (through planning, investment and procurement processes), the supply chain to support it is poorly structured and very weak.

- Closer engagement with suppliers is required.
- Trust must be established for buyer-supplier relationship to secure two-way beneficial communication.
- Consistent behaviour patterns across public sector.

#### B&Q

B&Q work with suppliers to establish critical environmental issues associated with each product's life-cycle. They define standards for the environmental performance for product suppliers and assess performance against these standards. They provide training for commercial teams and suppliers on environmental issues. They ensure product labelling is verifiable and they ensure that development or refurbishment of their premises is consistent with B&Q's requirements.

#### Defra DEEPs

Defra's strategic procurement group has recently won an award for its DEEPs programme – Delivering Efficient and Effective Procurement Solutions. As part of the programme, category management strategy is being implemented through commodity expenditure analysis, undertaken by procurement analysts, with the express purpose of embracing both efficiency and sustainability considerations in tactical and strategic sourcing.

### **NHS Trusts Cornwall**

Procurement officers from NHS Trusts in Cornwall structure contracts that legally enable local and SME suppliers to win business. The economic return to the region is substantial as well as hospitals obtaining higher quality products.

Encouraging local suppliers to tender for public sector contracts can boost local economies and increase the quality of tenders received. Procurement can therefore achieve improved service delivery and address regional business support needs.

### **Norway's GRIP programme**

GRIP is an independent foundation funded by the Ministry of Environment. Its objective is to promote sustainable production and consumption in Norwegian private and public organisations. It provides guidance and practical tools, tailored to suit different audiences which is also available in English.

## Recommendation 5: Remove barriers

### *Ensure budgetary mechanisms enable and support sustainable procurement*

#### Barriers addressed

- Failure to apply rules on whole life costing in practice
- Focus on short-term efficiency savings at expense of long-term benefits
- Sub-optimal budgeting practices e.g. splits between management of capital and revenue spending
- Uncertainty on how to take account of non-monetary benefits

#### Diagnosis and Evidence

In central government, accounting officers are responsible for delivering value for money with departmental spend. Treasury rules make clear that this is supposed to be value for money on a whole life basis. But evidence to the Task Force showed that the efficiency message was being interpreted throughout the public sector in ways which drowned out sustainability considerations. The latest NAO study on sustainable procurement in central government reports that

*“Departments struggle to reconcile sustainable procurement and the need to reduce cost”*

Affordability was often cited as a barrier and options with even very short paybacks were being rejected by public sector buyers because they did not pay back in the budget year. In stakeholder consultations, the rush to spend budgets was highlighted as a key problem in spite of enhanced end-year flexibility. Money is spent on what is available rather than highest priority needs e.g. Government IT hardware spend with a supplier on OGC Gcat\* is fairly stable throughout the year, but triples in March. The public sector lacks the public spending framework and incentives to support long-term value for money.

*“The savings required by implementation of the Gershon review are generally perceived as diametrically opposed to achieving sustainable procurement. The decision has to be made: do you consider SD benefits and pay extra for it or do you go for a lower price in light of efficiency savings. The lower price tends to win as the council is being rigorously assessed on Gershon”.*

Corporate procurement officer, district council, Forum for the Future research

\* OGC Gcat is a catalogue based procurement facility established in 1996 to provide public sector organisations with a simplified means of procuring and contracting a wide range of IT products and services.

*“Economic considerations still clearly dominate procurement decisions in the bulk of organisations surveyed (a large proportion of organisations surveyed said it was the top priority). Environmental concerns come a relatively poor second and social concerns fare even worse. This might be considered somewhat paradoxical given the public sector’s existence to serve social and environmental objectives.*

*The most problematic barriers are in essence financial. Most respondents are held back from a more sustainable approach by the additional costs of more sustainable options and an inability to offset whole life cost savings against short term budgetary limits. They also lack mechanisms to demonstrate the economic value of social and environmental costs and benefits, compounding their difficulties in justifying sustainable procurement choices.”*

#### Forum for the Future research

Suppliers to government in particular stressed the need for a renewed commitment to proper implementation of whole life costing and a commitment by all government departments to ensure that the way they spend taxpayers money, whether on purchase of goods and services, on assets or on their operations, contributes to sustainable development. Current Treasury guidance (the Green Book <sup>ref 31</sup>) stresses the need for whole life costing to be the basis for purchase decisions. But in practice whole life costing is not routinely practised. There is an issue with availability of reliable data with which to make whole-life costing calculations and the guidance on how to apply whole life costing could be made easier to understand. These are implementation not policy issues, need to be enforced by a clear message from the top that value for money must be assessed on a whole life basis.

*“Benefits arising from environmental and social factors are not easy to quantify and there is a perception that these factors cost money and with the financial position of the NHS, these factors are currently not affordable.”*

#### Head of procurement and supplies, NHS trust. Forum for the Future research.

Many of the benefits of sustainable procurement are intangibles and more work needs to be done on understanding how these benefits can be taken into account in public sector spending decisions. Although taking account of environmental factors can be relatively straightforward, Working Group 4 found that there was much less clarity about how to take into account social or wider economic benefits.

At the moment the EAC advocates sustainable procurement on the basis of NAO reports while the PAC still focuses on “value for money” in a relatively conventional way. Assurance that Departments are employing whole life principles and making decisions on that basis is needed as Accounting Officers do not currently regard this as a key part of their value for money responsibility. Where short-term budgetary pressures dictate a solution that wastes taxpayer money in the longer term, decision making is made by Ministers (as Accounting Officers). This would be reported to the PAC and has been suggested to the Task Force as a powerful way of underlining the requirement to apply whole life costing. If past precedent on Accounting Officer directions offers any guidance, this will not result in a large number of directions, but will act as a powerful catalyst of culture change within Departments.

## Recommendation 5: Remove barriers

There are other dimensions to this issue which are less straightforward:

- discretionary investment in non-departmental priority areas, which nonetheless are good value for money and offer the department a reasonable payback
- commodity purchasing where the benefits lie in delivering wider government benefits, not necessarily directly benefiting the purchasing department
- capital projects which need to be managed in ways that improve risk management, open up opportunities for innovation and maximise the potential benefit of the spend.

One example is where a local authority spends money to keep people out of hospital, saving money for the local primary care trust. Again, Treasury rules allow budgetary transfer but it does not happen in practice, so the renewed Green Book guidance must focus on what actually happens in practice and interpretation of the rules, rather than the rules themselves.

### Schools

England's schools are currently undergoing a major programme of capital investment, bringing with it tremendous opportunities for building sustainable schools, which can act as models of sustainable development in their communities.<sup>12</sup>

Over £2bn per year is being invested in rebuilding or refurbishing all secondary schools through the *Building Schools for the Future (BSF)* programme, and a *Primary Capital Programme* to rebuild or refurbish half of primary schools will be launched shortly. This programme therefore offers a huge opportunity to put sustainable procurement into practice and make a reality of whole life value. Sustainable Development Commission research shows there are opportunities for maximising the sustainability benefits from the schools' building programme through:

- introducing energy efficiency measures into the 500 secondary schools that, under current plans, will undergo 'minor refurbishment'. These schools will save 5000 tonnes of carbon (tC) per year, with a five year payback, after which those schools benefit from an average of £5000 cost savings per year.
- using microgeneration as demonstration technologies in the 3000 secondary and 9000 primary schools due for major refurbishment or rebuild. If just 10% of these schools install microgeneration, a minimum of 23,400 tC could be saved with payback on the capital cost within the timescale of a PFI contract (25-30 years) This would raise awareness in schools and contribute to the commercialisation of microgeneration technology.<sup>13</sup> Using biomass heating (as in the Bristol Building Schools for the Future project) because the benefit of running cost savings will be achieved.

To realise these benefits means ensuring that capital and running costs can be looked at together – whereas these have traditionally been split in the schools funding framework even for PFI contracts. It means moving away from artificial limits – such as the cost per m<sup>2</sup> figure. And it means exploring options such as Energy Services Companies (ESCOs) who can provide capital funding for the sustainable energy systems in return for a long term energy supply

<sup>12</sup> Sustainable Schools: for pupils, communities and the environment, Department for Education and Skills, May 2006.

<sup>13</sup> Review of opportunities for improved carbon savings from spend on education buildings, BRE, March 2006.



contract. This approach could be expanded to cover a range of utilities including security, water, and ICT services. The move towards a managed service for ICT by the Building Schools for the Future programme is evidence of the economies available.

#### Sustainable Development Commission

The starting point of any such framework would be to couple an unambiguous commitment to proper implementation of whole life costing with a commitment by all Government departments to ensure that the way they spend taxpayers money, whether on purchase of goods and services, on assets or on their operations, contributes to sustainable development. Every department now has an SD action plan which sets out how they will do that, and their sustainable procurement strategy is a key part of that plan to contribute to sustainable development.

*We often find that capital/revenue issues in public accounting deter clients from accepting tenders that, while higher in capital terms, offer significant life-time and hence revenue savings. For example, we recently included solar panels in the design for a new facility for a central government agency client. But these were too expensive for the construction part of the budget and hence were removed in the course of the (so-called) value engineering process. We also included zonal heating controls in our proposed design for a complex public building. In the value engineering process, they were replaced with single zone controls which were cheaper in capital terms; as a result, heating will remain on in parts of the building that are not in use.*

#### Morrison PLC

It is essential to get the tender process right from the start through outcome-based tenders. Where the current process narrows options and thus excludes as non-compliant bids that offer better value through both lower cost and offering wider benefits, the aim of the initial tender should be to establish the best overall proposition for public benefit.

The OGC Gateway process does not do enough at the moment to incorporate future proofing – both against natural risks (e.g. flooding; severe weather damage; higher/ lower average temperatures) but also against price volatility <sup>(ref 32)</sup>. The Task Force found a need for that future proofing to take account of accumulation effects across a programme and of demonstration effects.

This would mean that in assessing future capital spend departments would take account both of wider government objectives and local circumstances and seek both to maximise the overall return and the benefit to the local community. This is what a business would do in assessing a capital project and it would be done as early in the process as possible and in a way that allows bidders maximum flexibility to offer imaginative and innovative solutions and thus win/win solutions. One proposal was for this to be incorporated in a new “Gateway – 1 process” – to ensure that the benefits of any new capital spend or major contracts are maximised – and that the investment is properly future proofed. That is also the right stage in the process to investigate alternative means of delivery which might avoid the need to spend.

## Recommendation 5: Remove barriers

However there will be occasions where either the upfront cost makes an option which is superior on a whole life basis unaffordable or where there is potential to generate significant additional benefits but these would benefit another government department and impose an unacceptable expense on the commissioning department. It is not in the public interest for these benefits to be left on the table and new mechanisms are needed to ensure that current constraints are removed.

The PFI or other innovative financing route (gain share, energy management etc) offers solutions to the timing issue outlined above but may not always be the most feasible solution. An alternative option may be realised through the development of the 'Invest to Save' budget as a loan fund with benefits recovered out of future cash flow. For energy saving, the Carbon Trust already provides a vehicle for investment in energy efficiency for local authorities. The Chancellor's recent announcement of a rolling public sector fund for energy efficiency measures is an excellent example of the mechanism required <sup>(ref 33)</sup>. This offers the model for a more generalised sustainable capital fund to ensure that upfront affordability issues do not lead to public sector purchasers denying future taxpayers and citizens the benefits of more sustainable procurement. This fund could also be a way of funding innovative schemes that might otherwise fall victim to silo spending mentalities.

### Actions required:

**A5.1 Treasury must produce simplified Green Book guidance which is easy to use and must enforce requirement for whole life costing.**

**A5.2 Public sector organisations must ensure that budgeting arrangements support sustainable procurement, including co-ordinated management of capital expenditure and operational expenditure, and explore innovative ways to overcome upfront affordability problems**

**A5.3 Government must evaluate pilot public sector energy efficiency fund and consider expansion in Comprehensive Spending Review, so that lack of upfront capital does not rule out the sustainable option**

**A5.4 Treasury and DfES must work with Building Schools for the Future programme to ensure that it is meeting high sustainability standards and to learn lessons for other capital projects**

**A5.5 Government must develop a mechanism to address cross-departmental cost and benefit issue**

### Benefits

This action will create the framework that enables whole life costing to be applied and delivered effectively. It will lead to reduced whole life costs across the entire public sector and therefore better value for money for the public purse. It links public spending decisions more closely to the delivery of sustainable development objectives. It allows the Efficiency agenda and sustainability to be seen as complementary rather than competing.

## Scrutiny

- Link Gershon agenda and efficiency reporting to sustainable development.
- Public sector to include, in its regular reporting, efforts made to ensure budgeting arrangements support sustainable procurement.
- Scrutiny bodies to report on progress made in overcoming upfront affordability problems and accounting for non-monetary benefits.

## Getting it right

### **The Canny Buyer, Scottish Executive**

Under the Scottish Executive's prudential borrowing regime for public bodies, whole life costing is mandatory. The City of Dundee Architectural Services Division can apply to the Chief Executive's department for additional short-term (capital) costs of a project where there are lower whole life (revenue) costs. Currently, schemes with a pay-back period of 3-6 years are considered appropriate.

### **Innovative Funding – Canadian Federal Buildings Initiative**

Specialist firms provide both the upfront capital and the expertise needed to carry out energy and water efficient retrofits of government properties. Federal bodies pay the firms back out of the resulting savings to their utility bills. This initiative overcomes the split between operational and capital budgets and the lack of energy efficiency expertise within individual government bodies. To date this has resulted in £14.2 million in annual savings, and reductions of approximately 200,000 tonnes of greenhouse gases.

### **North Bristol Health Trust – Patient Transport Services (PTS)**

Proactive Logistics were invited to find a sustainable solution to PTS in April 2005. They recognised several missed opportunities, such as the lack of co-ordination or control of transport ordering across directorates and no measurement of service performance. Using their analytical, logistical and change management expertise, costs were reduced by over £240,000 in six months, the project will be self funding within the first 12 months and will achieve full annualised benefits in excess of £500,000. In addition, improvements in the quality and reliability of the service have reduced transport-related delays and vehicle movements were reduced by an estimated 15%, with an equivalent reduction in fuel, pollution and other environmental impacts. One of the key lessons was that a clearly defined plan ensures savings are delivered in line with investment.

## Recommendation 5: Remove barriers

### Newport PFI

The Newport southern distributor road improvement to dual carriageway and maintenance was funded under a 40 year PFI contract. A high tech specification was sought to maximise the use of products derived from excavated materials and locally available recycled materials, including by-products of former heavy industry. Approximately 98% of the aggregate used was recycled and secondary aggregate. The use of recycled material did not incur additional capital or maintenance expenditure for the project; however, it did result in direct cost savings in construction costs (£1,034,135), carbon emissions (£106,481), avoiding landfill costs (£941,360) and health benefits from reduced emissions of PM<sub>10</sub> (particles measuring 10mm or less). Overall, £2,098,801 was saved, offset by no costs, which amounted to 3.82% of savings of the total project cost or to £219,609 per kilometre of road constructed.

## Recommendation 6: Capture opportunities

### *Smarter engagement with the market to stimulate innovation*

#### Barriers addressed

- Supply chain management which falls below good private sector practice
- Difficulty in penetrating public sector market with innovative solutions
- Risk averse procurement – lack of incentives for innovative procurement or procurement of innovative solutions and failure to support government policy on innovation
- Failure to give forward signals to the market
- Delivery of poor value for money for the tax payer

#### Diagnosis and Evidence

The public sector is missing opportunities to deliver real value for the public purse by failing to engage effectively with the market. Although there are some examples of good practice, these are the exception. The public sector is lagging behind leaders in the private sector in its approach to working with the supply chain. Forming closer relationships with suppliers over longer time frames, working together on outcome-focussed solutions and encouraging SMEs and local companies to apply for contracts can benefit local economies and help in the development of products and services more suited to end users' needs. In all of these aspects, the Task Force found room for improvement in the public sector.

The private sector reported concerns to the Task Force that the opportunities offered by innovative procurement and the procurement of innovative solutions are being missed by the public sector. Innovation is defined as the successful exploitation of new ideas – and needs to be at the core of smarter (and therefore sustainable) procurement. UK competitiveness is at risk when innovative ideas developed here are exploited overseas because of failure to invest. The Task Force was made aware that public procurement can learn lessons from leaders in the private sector on more active management of the supply chain – searching out possible suppliers, signalling future requirements and incentivising suppliers by the promise of current and future business. This allows businesses to secure investment for R&D and to scale-up to meet public sector needs. The private sector regularly does this and is looking to the public sector to do more by, for example, expanding the Market Transformation Programme approach to cover a much wider range of goods and services.

The success of the creative industries notwithstanding, there is evidence that UK business is not realising the full potential of applying creativity more widely. The Cox review <sup>(ref 34)</sup> was

## Recommendation 6: Capture opportunities

commissioned to look at how best to enhance UK business productivity by drawing on our world-leading creative capabilities. A key finding was:

*“Take steps to use the massive power of public procurement, both centrally and locally, to encourage more imaginative solutions from suppliers.”*

The Task Force found huge scope for public sector procurers to work more closely with their internal customers to consider at the outset (i.e. identification of needs and specification stages) what they are trying to achieve when tendering for goods and services. The suppliers group suggested that having appropriate processes in place (e.g. ‘Gateway –1’) and ensuring that they are implemented effectively are essential elements.

Task Force members have stressed the need for the public sector to use private sector supply chain management methods to create investment in innovation so as to meet its aspirations for sustainability in products and services at acceptable costs. The suppliers group in particular stressed the importance of promoting investment and innovation in new sustainable products and services as critical to the effective pursuit of sustainability goals.

Suppliers also see scope for establishing partnering arrangements with industry to involve them more closely in discussing and developing operational requirements and working towards outcome-based, sustainable solutions. Forming long-term relationships with suppliers, fostering dialogue and developing toolkits to ensure client and supplier needs are aligned helps to ensure that such sustainable solutions are delivered.

Evidence gathered by the Task Force indicates that many local authorities have already begun to seize these opportunities for the benefit of their communities, showing how an informed (or smart) approach to sustainable procurement can help meet objectives on local regeneration or Small and Medium Sized Enterprises (SME) Black and Multi Ethnic Enterprises (BME) involvement. The Task Force was also made aware of the good work done by OGC, DTI Small Business Service and others – this could be given more prominence. In the Task Force’s view, examples of good practice are presently not being shared fast enough or widely enough to encourage the dissemination of smarter procurement throughout the public sector.

The environmental technologies sector is dominated by small companies. The Task Force has been presented with a wealth of evidence that such companies find it particularly difficult to penetrate the public sector market. By definition, their products are likely to be relatively untried and untested. The Task Force found that there may be scope for more support mechanisms for small suppliers of innovative environmental technologies.

The Task Force found scope for the establishment of buyers clubs, supported by expert advice, to enable bulk buying of sustainable products and help suppliers gain access to markets, with specific guidance for SME coalitions, such as Farmer Controlled Businesses & Social Enterprise Coalition. The suppliers group also identified an opportunity for further consideration to be given to support and encouragement for SMEs. This could include, for example, ensuring all local authorities have signed up to the SME concordat, a set of actions which local authorities can take to make contracts more accessible to SMEs and break down large contracts. Joint ventures or subcontracting within PFI projects could provide SMEs with potential solutions to overcome financial barriers.



The suppliers working group had concerns about balancing the risk burden between client and supplier. Current practice often does not allow risk to be borne by those best placed to manage it. We found that public sector organisations are not encouraged to look for innovative approaches to service provision or to consider partnering services to deliver mutual benefits. Not enough use is made of preferred and third party suppliers.

We are also concerned that 'smart tendering' is not routinely monitored to ensure that it is effective. The private sector uses targets and performance indicators that are realistic and focus efforts based on the capacities and drive of the business – the public sector could learn from this. There is insufficient tracking of progress within the departmental asset system and reporting frameworks are lacking.

### **Actions required:**

**A6.1 Government must lead the public sector in setting forward commitments to purchase innovative solutions and establish clear routes to public sector market for suppliers of innovative solutions – including procurement portal / call**

**A6.2 Government must establish mechanisms to overcome capability issues amongst suppliers of innovative solutions especially SMEs and the Third Sector**

**A6.3 Delivery team must provide guidance on procurement of innovative solutions including outcome-based requirements; articulating unmet need, use of Flexible Framework to drive innovation; informed approach to risk management and building supplier relationships**

**A6.4 All public sector organisations must work with key markets on joint improvement programmes delivering sustainability and value for money, including appropriate allocation of risk in priority sectors**

**A6.5 All public sector organisations must integrate sustainable development and procurement through use of risk-based approach**

### **Benefits**

This approach encourages thriving local economies with small business growth and competitive advantage and better relationships between organisations within the community. There is increased choice, services and products are delivered to better suit consumer needs. Better performing products (and services) result in greater environmental and social benefits. Smarter procurement is delivered with sustainability issues considered early in the process, leading to enhanced credibility of public sector procurement amongst the supplier community. There are enhanced opportunities for innovation and stimulation of investment in research and development, and clear requirements are linked to priority spend areas.

### **Scrutiny**

- Public sector to report on efforts made to engage with key markets on joint improvement programmes and progress in adopting a risk-based approach to procurement.
- Scrutiny bodies to report on government's progress in setting forward commitments and establishing mechanisms to overcome capability issues amongst suppliers.

## Recommendation 6: Capture opportunities

### Getting it right

#### Highways Agency and Skanska

Early contractor involvement (ECI) has resulted in the development of a best whole life cost solution on bridge projects, where the perceived route to the lowest cost was proved not always to be the best one. The Highways Agency had challenged Skanska on the company wanting to construct several bridges on an ECI contract with their abutments set back several metres from the edge of the motorway. The Highways Agency were keen to establish that Skanska were not building an unnecessary length of bridge which adds to the initial cost of the project.

Skanska's argument is that by keeping back from the edge of the road they can avoid closing off traffic lanes during construction. This also reduces the costs resulting from traffic management and significantly reduces traffic congestion and attendant pollution from restricting the road. It is also cheaper and safer for Skanska to build a bridge which is clearly separated from traffic. After examining the full reasons the Highways Agency agreed to the extra length of bridge deck resulting in the additional benefits of:

- reduced traffic congestion through no lane closures,
- reduced CO<sub>2</sub> emission,
- improved safety of workers,
- ability to widen roads in future if needed.

All of which are on top of financial savings. ECI contracts enable the early involvement of the supply chain in the planning and designing of projects and service requirements. Such contracts are designed to provide greater innovation, better risk management, forward investment in staff and plant, and affordable, safer solutions.

#### Camden Council Agency Staff

London Borough of Camden changed their method of procuring temporary staff to a single Vendor Managed Service. The new contract includes a schedule to promote regeneration and targets to work with local businesses, social enterprises and SME/BME businesses as second tier suppliers. The service is also working to train and place local people into employment through the contract. This new service has enabled Camden to increase its ability to deliver local community benefits through procuring an essential service.

#### Canada, Social Purchasing Portal

An international example comes from Canada who have established a Social Purchasing Portal (SSP). This is a web-based portal that provides suppliers of sustainable goods and services with an opportunity to market themselves to a group of companies committed to buying through the portal. Where possible participating purchasers procure goods and services from SPP suppliers to meet their business needs for value, price and quality.

### One Planet Products: Not-for-profit member-owned buyers club

One Planet Products (OPP) is a bulk buying initiative focused on sustainable and environmental products and materials. It was set up by BioRegional Development Group to address the lack of technical expertise and knowledge faced by the public and private sector to procuring more sustainable products. The primary aim of OPP is to encourage the uptake of sustainable products and services in mainstream housing by negotiating price discounts from suppliers on behalf of the club's members, which include housing associations. Members benefit through vetted products and the exchange of knowledge and ideas. Meanwhile, approved suppliers gain new and valuable routes to market, and benefit through structured customer feedback and incentives to develop new products that meet OPP's sustainability criteria. In addition to the cost benefits obtained from negotiated bulk price, members save both time and money by accessing OPP's sustainability expertise and balanced analysis of available products.

The Task Force has noted that the strap line for the London 2012 Olympics is 'One Planet Olympics'.

### Re-Thinking at Willmott Dixon Construction

Willmott Dixon Construction have developed Re-Thinking as an added value service with White Design that brings together best in class thinking, design expertise and facilitation specialists. The outcome is the delivery of quality buildings with lower operating costs, reduced environmental impact (including lower carbon emissions) and the provision of healthy, comfortable and productive environments for their occupants. Key to the Re-Thinking delivery is the (early) integration of the client, supply chain and building users, achieved through a series of professionally facilitated workshops. The output from the workshops is a sustainability vision for the building including a robust set of targets all of which are then acted on by a suitably motivated and informed workforce. Kingsmead Primary School is an exemplar building delivered through the Re-thinking Service.



## Recommendation 6: Capture opportunities

### Groundwork, North West NHS Suppliers Bureau and SMEs

NW NHS Suppliers Bureau seeks to increase the volume of business won by SMEs by providing information, training and support. NHS Procurement strategies have developed quickly which has impacted on the ability of the project to offer simple solutions. A good procurement process has been established but decisions are still largely made on tender value not accounting for whole-life-cost. Support for the development of supplier performance standards is missing. For the project to succeed risk must be balanced more fairly between supplier and buyer, sharing of good practice and minimum performance standards established and procurement rules should be interpreted to benefit SMEs and the innovative products and services they can offer.

Social enterprises and SMEs often lose out to larger companies, which are able to drive down costs and are perceived by clients to be less risky. Sharing the risk between client and supplier and breaking larger contracts into smaller contracts would help small companies compete more effectively.

Investment in local suppliers tends to be multiplied as their supply base/investment tends to be local. A long term relationship and working collaboratively with suppliers, as demonstrated in the Ealing case study, enables both sides to focus on outcomes rather than variations to specifications and cost.

### Northumberland County Council

Northumberland County Council decided to measure and improve its local economic impact, and used its supply contracts, and initially its food supply contracts, as an opportunity to focus efforts. Also by carrying out a substantive supplier spend analysis in partnership with the New Economics Foundation in order to establish a Local Multiplier 3<sup>14</sup>: The benchmark evaluation, they found that local suppliers re-spent on average 76% of their contracts with local businesses.

Investigations revealed that if the council shifted 10% of its current spending on non-local suppliers to local suppliers, this would generate an extra £34 million for the local economy. By increasing awareness and encouraging local SMEs, the council saw a five-fold increase in local supplier expressions of interest. Almost half of the £3million annual contract now goes to local suppliers and will circulate amongst the local economy. Although there is more administrative work involved, the additional time investment was offset by the quantity and quality of tenders received. The County Council has since officially set a target of shifting 10% of procurement spending to local sources within the next 3 years.

<sup>14</sup> The Local Multiplier 3 (LM3) tool has been developed by the New Economics Foundation to enable organisations to measure the impact they have on a local economy by tracking where the money they receive is then spent and re-spent.

### **Ealing Community Transport (ECT) Group Waste Minimisation Contract**

ECT Group is a social enterprise delivering community transport and has developed to deliver a range of waste minimising services serving London Borough of Ealing over a 25 year period and other councils within and outside London. In 2004 the council tendered all its waste requirements as one contract focussed on waste minimisation, with an estimated value of £12 million. ECT won against a number of other proposals. They made a procurement saving of £1 million over the next cheapest tender. High cost impacts were avoided due to a 100% transparent and flexible contract with few caveats. ECT and Ealing assessed the financial implications of the contract and adjusted the price following testing. ECT proved they could manage new volume using existing resources due to this assessment and testing method. ECT re-spends £1.2m in the local economy and reinvests its income into other areas of the business in effect giving the council a community transport service without actually paying for it. A long-term relationship has enabled benefits to be accrued more widely than a year on year time line.

### **Innovative Approach to Youth Services in Lincolnshire**

The Council paired young people excluded from school with a local community managed woodland. The scheme has had a positive impact on the young people, the woodland, the wider community and has saved the council an average of £70,000 per young person per year. It has been calculated that every £100 entering the scheme generates an additional £131 for the surrounding area.





# 3 Getting Started

The Task Force wants this report and action plan to lead to rapid progress towards more sustainable procurement being delivered throughout the public sector. We have created a series of 'building blocks' which public sector organisations can use to get this process started. Those who are already leading in this field will be able to assess their progress and plan future activities using the same building blocks.

The first of these building blocks is a framework of key behavioural and operational change programmes against which progress can be measured between now and 2009 (and beyond). The second is a risk-based method of identifying priorities for action, designed to help organisations focus clearly on those aspects of procurement that are most important to them, within the context of a number of national priorities. The third element is a set of tools for delivering sustainable procurement in practice. This emphasises the roles of senior decision-makers, of technical specialists and non-specialist buyers as well as procurement professionals. Finally we set out a series of milestones against which we expect the public sector to measure progress, since one of our key themes is the need for effective measurement, scrutiny and reward.

## 3.1 Getting Started 1 – adopting a consistent approach, the Flexible Framework

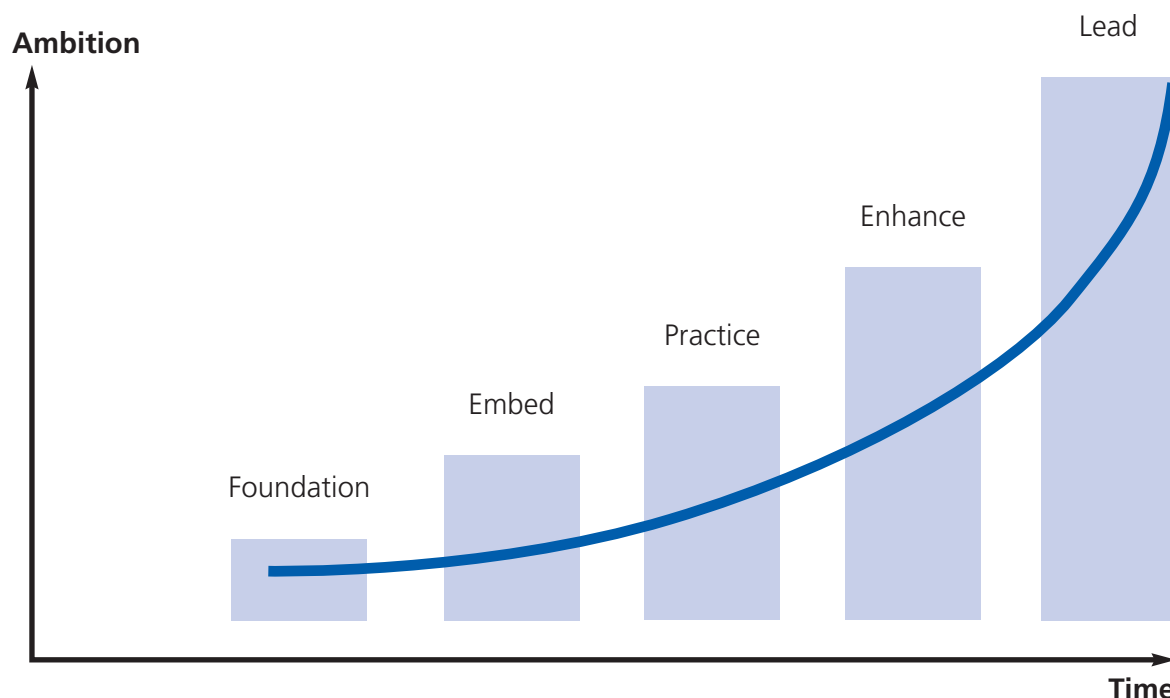
The first key building block identified by the Task Force was the need for an overarching approach to help organisations understand and take the steps needed at an organisational and process level to improve procurement practice and to make sustainable procurement happen. Working Group 3 produced a new framework – “the Flexible Framework” which identifies 5 key themes of People; Policy, Strategy & Communications; Procurement Process; Engaging Suppliers and Measurement & Results. These are in effect the key behavioural and operational change programmes that need to be delivered in each public sector organisation to deliver sustainable procurement. While the focus of this framework is sustainable procurement, the areas identified represent the basics of good procurement. The framework ensures a consistent approach to risk management and encourages organisations to capture opportunities to stimulate innovation in their supply chains. It covers the facets of good procurement, to ensure that the public sector gets better at procurement and becomes a more intelligent customer.

The Flexible Framework effectively forms the cornerstone of the Sustainable Procurement National Action Plan and is designed with a range of public sector audiences in mind. It has been tested by a range of public sector stakeholders to confirm its usefulness and endorsed by OGC.

The aim of the Flexible Framework is to enable all organisations to find a place on it – so no-one has an excuse for not getting started – but also to stretch organisations already at the higher end. The view of the Task Force is that at the moment most public sector organisations are not yet at Level 1. If the UK is to be a leader in sustainable procurement by 2009 the Task Force believes that some organisations need to move rapidly so that all public sector organisations are at least at Level 1 – and that all should be at least at Level 3 by 2009 and at Level 5 in at least one area.

The Flexible Framework (see Figure 9 overleaf), the five process/behavioural change programmes are on the left and progress towards leadership are in steps to the right. To supplement this summary version a series of detailed progress charts are available for organisations mapping precise actions\*. Figure 10 below shows how the Flexible Framework approach will encourage public sector organisations to make progress over time through a number of levels of procurement performance.

**Figure 10: Stages of progression through use of the Flexible Framework**



\* For detailed progress charts see: <http://www.sustainable-development.gov.uk/government/task-forces/procurement/index.htm>



# 3 Getting Started

**Figure 9: the Flexible Framework**

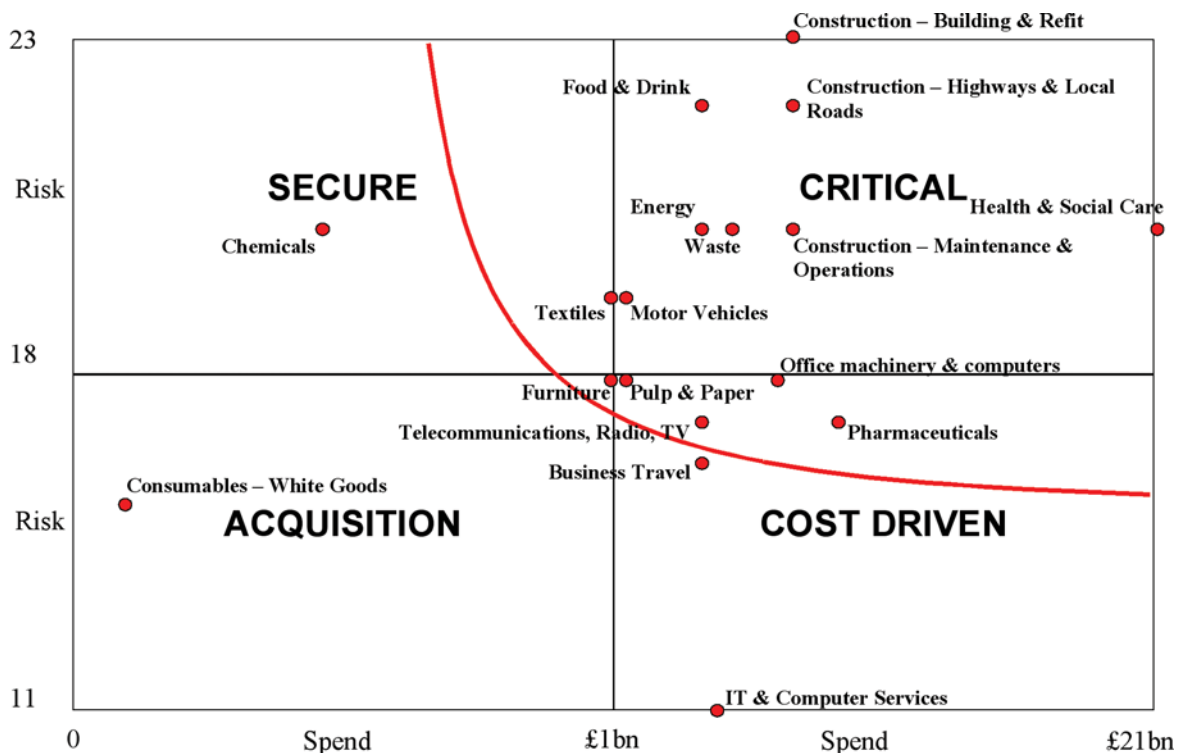
	<b>Foundation Level 1</b>	<b>Embed Level 2</b>	<b>Practice Level 3</b>	<b>Enhance Level 4</b>	<b>Lead Level 5</b>
<b>People</b>	Sustainable procurement champion identified. Key procurement staff have received basic training in sustainable procurement principles. Sustainable procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.	Targeted refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.	Sustainable procurement included in competencies and selection criteria. Sustainable procurement is included as part of employee induction programme.	Achievements are publicised and used to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.
<b>Policy, Strategy &amp; Communications</b>	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy, in particular consider supplier engagement. Ensure it is part of a wider Sustainable Development strategy. Communicate to staff, suppliers and key stakeholders.	Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.	Review and enhance the sustainable procurement strategy, in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.	Strategy is: reviewed regularly, externally scrutinised and directly linked to organisations' EMS. The Sustainable Procurement strategy recognised by political leaders, is communicated widely, A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.
<b>Procurement Process</b>	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value-for-money, not lowest price. Procurers adopt Quick Wins.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life-cost analysis adopted.	All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targets to improve sustainability are agreed with key suppliers.	Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life-cycle approach to cost/impact assessment is applied.	Life-cycle analysis has been undertaken for key commodity areas. Sustainability Key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.
<b>Engaging Suppliers</b>	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involvement.	Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.	Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.	Suppliers recognised as essential to delivery of organisations' sustainable procurement strategy. CEO engages with suppliers. Best practice shared with other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.
<b>Measurements &amp; Results</b>	Key sustainability impacts of procurement activity have been identified.	Detailed appraisal of the sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas.	Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives.	Measures are integrated into a balanced score card approach reflecting both input and output. Comparison is made with peer organisations. Benefit statements have been produced.	Measures used to drive organisational sustainable development strategy direction. Progress formally benchmarked with peer organisations. Benefits from sustainable procurement are clearly evidenced. Independent audit reports available in the public domain.

## 3.2 Getting started 2 – Setting and dealing with priorities

While the end point should be that all public sector procurement should be rigorously tested against a sustainability framework, in practice priorities are needed if rapid progress is to be made. The Task Force established a working group to identify public sector procurement priorities. This working group built on a review of procurement spend data sources and concluded that the single best source of data available was based on the National Accounts 'Input-Output analysis'. There is a clear need for more robust procurement information management systems with quantifiable evidence of the associated environmental and socio-economic impacts.

To provide a focus for sustainable procurement in the public sector, the Task Force developed an expenditure prioritisation methodology. This uses an approach based on assessing risk, scope to do more and procurer influence to achieve prioritisation of areas of public sector spend (see figures 11 – 13). It will help the public sector make maximum progress towards its 2009 target over the short to medium term (see Task Force website for further information).

**Figure 11: Prioritise Action**



# 3

## Getting Started

Figure 12: Buyer Approach

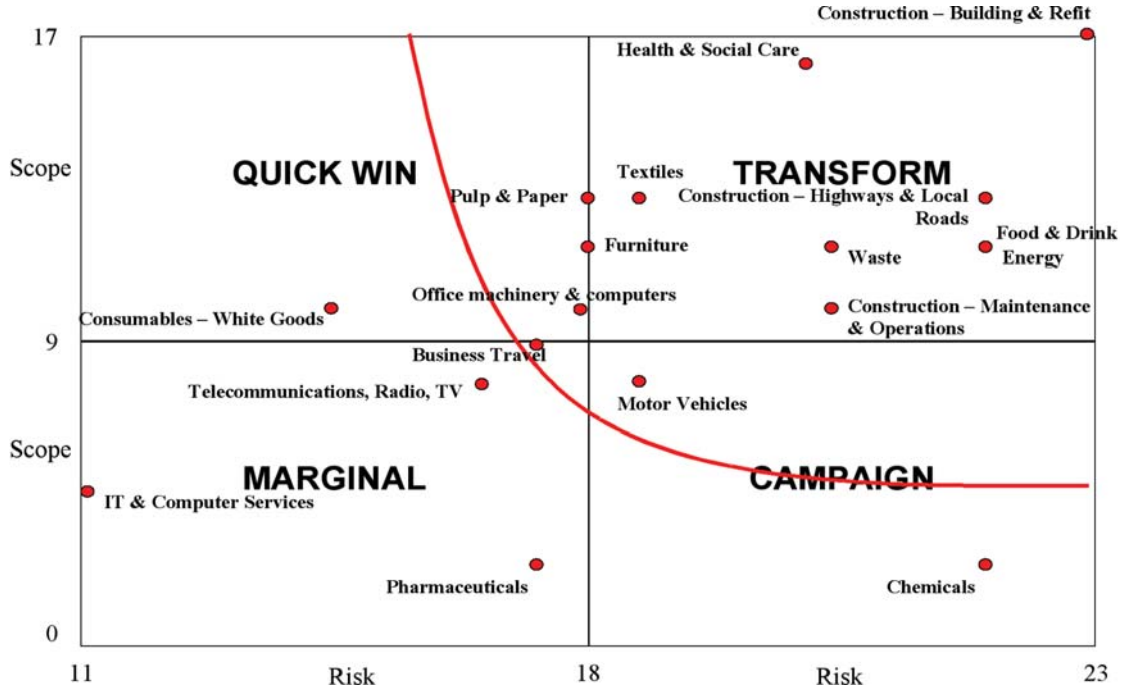
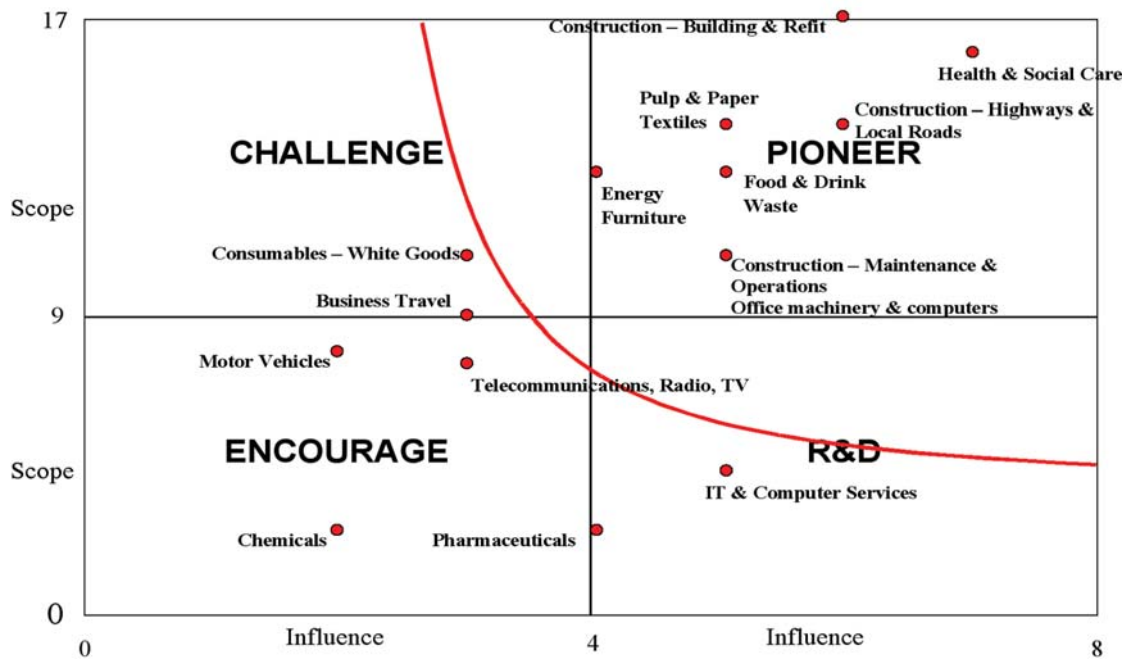


Figure 13: Market Engagement Strategy



Of the 174 Government spend areas identified, 18 emerged as priorities, please refer back to Figure 3 for details. Further prioritisation resulted in 10 areas of spend being identified as follows:

1. Construction (building and refit, highways and local roads, operations and maintenance)
2. Health and Social Work (operating costs of hospitals, care homes, social care provision)
3. Food
4. Uniforms, clothing and other textiles
5. Waste
6. Pulp, paper and printing
7. Energy
8. Consumables - office machinery and computers
9. Furniture
10. Transport (business travel, motor vehicles)

The Task Force recommends that work on developing a procurement approach to these areas of spend is linked closely to other work on products, which is currently being planned.

These national priorities are not supposed to crowd out or prevent organisations from setting their own local/organisational priorities. Indeed the Task Force encourages organisations to set their own priorities as well. Evidence shows that many local authorities have developed capacity to use procurement to deliver local benefits – and other organisations will be motivated by a desire to support their wider objectives.

The toolkits being addressed by the Task Force secretariat will help public sector organisations to make progress.

### 3.3 Getting started 3 – Toolkits for Procurers

The third key building block identified by the Task Force is the need for specific tools to support sustainable procurement, linked to flexible framework delivery stages, supplemented by training material.

The Task Force secretariat has begun to pilot toolkits to support the delivery of sustainable procurement across the public sector. Tools to support successful delivery will primarily focus on delivering behavioural change of procurers, managers, specifiers and suppliers. There will be a risk based approach to procurement ensuring resources are allocated appropriately. It will encourage specifiers to articulate their demands on an outcomes basis to support innovative solutions. The toolkits will assist specifiers and procurers to identify the sustainability impacts of their purchases and help them frame their requirements in a way that encourages innovative solutions into the public sector market.

The tools coupled with specification guidance for each priority expenditure area, delivered with training and supplemented by a web based training tool will create the right environment for sustainable procurement to happen and for the 2009 goal to be achieved. So there will be a corresponding need for the products and services knowledge base to be

# 3

## Getting Started

developed at a similar pace.

- Getting started (using the Flexible Framework)
- Policy, strategy, targets and support systems
- Prioritisation of expenditure, risk and effort
- Promoting sustainability in specifications and tenders
- Evaluating and valuing more sustainable tenders from suppliers
- Supplier engagement, promoting sustainability in the supply chain
- Contract management and measures, ensuring sustainable outcomes are delivered

It is however clear that a set of tools will not be enough in themselves to deliver the culture change needed for sustainable procurement to happen. Pilot work has shown that support teams in the centre and in regions are needed to give hands on support, training and advice if sustainable procurement is to become a reality in the public sector by 2009.

### 3.4 Getting Started 4 – Measuring progress

The Task Force proposes a series of milestones that can be used to ensure that the UK public sector stays on track to improve its performance in sustainable procurement by 2009. We see this as just the start of sustainable procurement and encourage all public sector organisations to continue to improve their performance beyond 2009.

Milestones to 2009 and beyond are set out in the fold out table on the back cover (Figure 15). Figure 14 is a summary table setting out who is responsible for which actions.

Figure 14: Who does what

Treasury	Government Departments	All public sector organisations	Others
<p><b>A5.1</b> Treasury must produce simplified Green Book guidance which is easy to use and must enforce requirement for whole life costing.</p> <p><b>A5.4</b> Treasury and DfES must work with Building Schools for the Future programme to ensure that it is meeting high sustainability standards and to learn lessons for other capital projects.</p>	<p><b>A1.1</b> Government must provide clear policy leadership from the top on sustainable procurement – from Prime Minister, reflected through Permanent Secretary / CEO performance contracts and incentives.</p> <p><b>A1.2</b> Government must make sustainable procurement an integral part of public sector procurement, owned by OGC and resourced to help public sector buyers to deliver.</p> <p><b>A1.4</b> Government must include clear and measurable targets on sustainable procurement in the revised framework for sustainable development on the government estate.</p> <p><b>A2.1</b> Government must produce and thoroughly communicate a clear restatement of its sustainable procurement policy which applies to all central government purchasing.</p> <p><b>A2.3</b> Government must rationalise existing policies through procurement into one practical unified sustainable procurement framework covering environmental, social, ethical and economic factors. A very short guide to the new framework must be made readily available.</p> <p><b>A2.4</b> Government must establish a filter process to ensure that only real government priorities are included in the integrated procurement framework which takes account of policy salience, cost effectiveness and suitability to be addressed through procurement.</p> <p><b>A2.5</b> Government must establish and use a new 'Gateway – 1' process to ensure sustainability issues are incorporated at the first stage of major projects and track this through the life of the project</p> <p><b>A2.6</b> Government must ensure that the unified sustainable procurement framework is effectively applied with sanctions for non-compliance</p> <p><b>A3.1</b> Government must create a knowledge base on products and services (and their sustainability impacts) focusing first on the priority spend areas identified by the Task Force</p> <p><b>A3.2</b> Government must engage internationally with key markets and other countries to establish new sustainability standards</p> <p><b>A3.3</b> Government must set mandatory minimum product / service standards for sustainable procurement in all priority areas (using Quick Wins as appropriate).</p> <p><b>A3.6</b> Government must work with the academic community and others on how to attribute value to social aspects of sustainable procurement and to stimulate debate around social issues</p> <p><b>A4.1</b> Government must create a sustainable procurement delivery team to support policy development, research, practical advice and training to procurers both centrally and in regions.</p> <p><b>A5.3</b> Government must evaluate pilot public sector energy efficiency fund and consider expansion in Comprehensive Spending Review, so that lack of upfront capital does not rule out the sustainable option</p> <p><b>A5.5</b> Government must develop mechanism to address cross-departmental cost and benefit issue.</p> <p><b>A6.1</b> Government must lead the public sector in setting forward commitments to purchase innovative solutions and establish clear routes to public sector market for suppliers of innovative solutions – including procurement portal / call.</p> <p><b>A6.2</b> Government must establish mechanisms to overcome capability issues amongst suppliers of innovative solutions especially SMEs and the Third Sector.</p>	<p><b>A1.5</b> All public sector organisations must link incentives to organisational capacity and to delivery in priority areas and these must be cascaded through performance management systems.</p> <p><b>A2.2</b> Major public sector organisations must produce their own sustainable procurement policy statement.</p> <p><b>A2.7</b> All public sector organisations must define clear objectives and targets and put monitoring / reporting mechanisms in place.</p> <p><b>A3.4</b> Public sector organisations must work with business to identify and set future minimum requirements and so encourage investment in R&amp;D by suppliers.</p> <p><b>A3.5</b> All public sector organisations must ensure their national and regional contracts do not offer any products / services that fall below these minimum standards (e.g. those arranged by NHS PASA, OGCbs).</p> <p><b>A4.2</b> All public sector organisations must establish effective Management Information Systems to support delivery of sustainable procurement.</p> <p><b>A4.3</b> All public spenders must upgrade procurement capacity and train staff making spending decisions, including Gateway Review process issues as appropriate.</p> <p><b>A4.4</b> All public sector organisations must reach Level 1 (or above) of the Flexible Framework by end April 2007 and Level 3 (or above) of the Flexible Framework, with leadership (Level 5) in at least one area by December 2009.</p> <p><b>A4.5</b> All public sector organisations with procurement spend over £1bn per annum must appoint Commercial Director to the Board.</p> <p><b>A5.2</b> Public sector organisations must ensure that budgeting arrangements support sustainable procurement, including co-ordinated management of capital expenditure and operational expenditure, and explore innovative ways to overcome upfront affordability problems.</p> <p><b>A6.4</b> All public sector organisations must work with key markets on joint improvement programmes delivering sustainability and value for money, including appropriate allocation of risk in priority sectors.</p>	<p><b>A1.3</b> Public sector audit organisations must make clear that they are auditing for long-term value for money and thus for sustainability. Managers must be held to account for failure to meet minimum standards.</p> <p><b>A4.1ii</b> All key procurers in the public sector to receive sustainable procurement training during FY 2006/07 with refresher training provided on biennial basis</p> <p><b>A4.1iv</b> Delivery team to work with CIPS in their current work to refresh the syllabus to include a focus on sustainability issues in procurement and with other professional bodies</p> <p><b>A6.3</b> Delivery team must provide guidance on procurement of innovative solutions including outcome-based requirements; articulating unmet need, use of Flexible Framework to drive innovation; informed approach to risk management and building supplier relationships</p>

## Appendix – Sustainable Procurement Task Force membership

Organisation	Task Force Member	Position
International Power plc	Sir Neville Simms	Chair
ACCA	Roger Adams	Executive Director – Technical
BAA	Shaun McCarthy	Head of Sustainability and Utilities
BRE and Willmott Dixon Construction	George Martin	Associate Director of Sustainability BRE and Head of Rethinking Willmott Dixon Construction
British Retail Consortium	Kevin Hawkins	Director General
BT	Meryl Bushell (replacing Alison Ritchie)	Chief Procurement Officer
Business in the Community	Mallen Baker	Development Director
CBI	Michael Roberts	Director, Business Environment
Chartered Institute of Purchasing and Supply	Ken James	Chief Executive
Compass Group	Paul Kelly (withdrawn)	Director of Corporate Affairs
Department of Health	Ken Anderson	Commercial Director
Department of Trade and Industry	Mark Gibson	DG Business
Environment Agency	Barbara Young	Chief Executive
Environment Agency	Mark Yeomans	Head of Procurement
Forest Stewardship Council	Nick Cliffe (replacing Anna Jenkins)	Acting Chief Executive
GMB	Kathleen Walker-Shaw	European Officer
Groundwork	Tony Hawkhead	Chief Executive
Her Majesty's Treasury service	Mary Keegan	Head of Government Accounting
Hewlett Packard	Hans Wendschlag (replacing Stephen Gill)	Environmental Strategies – Europe
Johnson Matthey	Jack Frost	Chair of Environmental Innovations Advisory Group, Director Johnson Matthey Fuel Cells.
Kingfisher plc	George Adams	CEO New Trade Format
KPMG	Tim Stone	Chairman Corporate Finance
LGA – procurement lead	Tim Byles	CEO of Norfolk CC
Ministry of Defence	Major General Andrew Figgures	DPA's Technical Director



Organisation	Task Force Member	Position
Morrison Plc	Jiggy Lloyd	Adviser
Office of Government Commerce Procurement	Martin Sykes	Executive Director, Smarter
Royal Mail	Andrew Edwards (replacing David Burden)	Board member and CIO
SEEDA	Jim Brathwaite	Chairman
Skanska UK Plc.	David Fison	Chief Executive
Sustainable Development Commission	Jonathon Porritt	Chairman
Tarmac/Anglo-American	Robbie Robertson	Chief Executive
TUC	Mike Jeram (Alt to Brendan Barber)	National Secretary for Business, Community and the Environment, Unison and Member of TUSDAC and Energy Sector Skills Council
Vodafone	Charlotte Grezo	Director of Corporate Responsibility
WRAP	Jennie Price	Chief Executive

## By Invitation

Organisation	Task Force Member	Position
Scottish Procurement Directorate	Dave Cook	Procurement Advisor
Value Wales Procurement	Gunther Kostyra	Head of Programme: Best Practice
Northern Ireland, Department Environment	John McMillen	Director of Central Procurement of Directorate

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**Figure 15: Overarching goal of sustainable procurement is to deliver real value for money for the public purse**

	Immediate (to be completed by December 2006)	Milestone 1 – April 2007	Milestone 2 – April 2008	Milestone 3 – April 2009	Milestone 4 – Dec 2009
<b>Recommendation 1: Lead by example</b>	<p><b>A1.1</b> Government must provide clear policy leadership from the top on sustainable procurement – from Prime Minister, reflected through Permanent Secretary/CEO performance contracts and incentives.</p> <p><b>A1.2</b> Government must make sustainable procurement an integral part of public sector procurement, owned by OGC and resourced to help public sector buyers to deliver.</p> <p><b>A1.3</b> Public sector audit organisations must make clear that they are auditing for long-term value for money and thus for sustainability. Managers must be held to account for failure to meet minimum standards.</p> <p><b>A1.4</b> Government must include clear and measurable targets on sustainable procurement in the revised framework for sustainable development on the government estate.</p>	<p><b>A1.5</b> All public sector organisations must link incentives to organisational capacity and to delivery in priority areas and these must be cascaded through performance management systems.</p> <p><b>M1.1</b> All public sector organisations to have assessed their performance against the Flexible Framework.</p>	<p><b>M1.2</b> Delivery team, working with SSCG, must benchmark progress nationally and internationally and share results with EU and Marrakech Task Force on Sustainable Public Procurement.</p>		<p><b>M1.3</b> Delivery team must initiate a further international benchmark to measure progress in relation to EU Member States (2009 target) and other countries</p>
<b>Recommendation 2: Set clear priorities</b>	<p><b>A2.1</b> Government must produce and thoroughly communicate a clear restatement of its sustainable procurement policy which applies to all central government purchasing.</p> <p><b>A2.2</b> Major public sector organisations must supplement A2.1 with their own sustainable procurement policy statement.</p> <p><b>A2.3</b> Government must rationalise existing policies through procurement into one practical unified sustainable procurement framework covering environmental, social, ethical and economic factors. A very short guide to the new framework must be made readily available.</p> <p><b>A2.4</b> Government must establish a filter process to ensure that only real government priorities are included in the integrated procurement framework which takes account of policy salience, cost effectiveness and suitability to be addressed through procurement.</p> <p><b>A2.5</b> Government must establish and use a new 'Gateway - 1' process to ensure sustainability issues are incorporated at the first stage of major projects and track this through the life of the project.</p>	<p><b>A2.6</b> Government must ensure that the unified sustainable procurement framework is effectively applied with sanctions for non-compliance</p> <p><b>A2.7</b> All public sector organisations must define clear objectives and targets and put monitoring/reporting mechanisms in place</p>			
<b>Recommendation 3: Raise the bar</b>	<p><b>A3.1</b> Government must create knowledge base on products and services (and their sustainability impacts) focusing first on the priority spend areas identified by the Task Force</p> <p><b>A3.2</b> Government must engage internationally with key markets and other countries to establish new sustainability standards</p> <p><b>A3.6</b> Government must work with the academic community and others on how to attribute value to social aspects of sustainable procurement and to stimulate debate around social issues</p>	<p><b>M3.1</b> Delivery team to have defined minimum specification standards for each priority spend area – with a focus on the top 5 priority areas first – and have shared these with EU and Marrakech Task Force on Sustainable Public Procurement</p>	<p><b>A3.3</b> Government must set mandatory minimum product/service standards for sustainable procurement in all priority areas (using Quick Wins as appropriate).</p>	<p><b>A3.4</b> Public sector organisations must work with business to identify and set future minimum requirements and so encourage investment in R&amp;D by suppliers</p> <p><b>A3.5</b> All public sector organisations must ensure their national and regional contracts do not offer any products / services that fall below these minimum standards (e.g. those arranged by NHS PASA, OGCbs)</p>	<p><b>M3.2</b> Government must reward progress by establishing sustainable procurement awards for organisations and individuals who have demonstrated exceptional performance/improvement</p>
<b>Recommendation 4: Build capacity</b>	<p><b>A4.1</b> Government must create a sustainable procurement delivery team to support policy development, research, practical advice and training to procurers both centrally and in regions.</p> <p><b>A4.2</b> All public sector organisations must establish effective Management Information Systems to support delivery of sustainable procurement</p> <p><b>A4.3</b> All public spenders must upgrade procurement capacity and train staff making spending decisions, including Gateway Review process issues as appropriate</p>	<p><b>A4.4i</b> All public sector organisations must reach Level 1 (or above) of the Flexible Framework</p> <p><b>A4.5</b> All public sector organisations with procurement spend over £1bn per annum must appoint Commercial Director to the Board</p> <p><b>A4.1iv</b> Delivery Team to work with CIPS in their current work to refresh the syllabus to include a focus on sustainability issues in procurement and with other professional bodies</p> <p><b>A4.1ii</b> All key procurers in the public sector to receive sustainable procurement training during FY 2006/ 07, with refresher training provided on a biennial basis</p>	<p><b>M4.1</b> Delivery team must promote good practice/offer support targeting those organisations falling short on progress, taking advice from SSCG and others.</p>	<p><b>M4.2</b> Refresher training/new starter training to all key procurers in all public sector organisations in the use of the sustainable procurement toolkit and minimum standards</p>	<p><b>A4.4ii</b> All public sector organisations must reach Level 3 (or above) of the Flexible Framework, with leadership (Level 5) in at least one area</p>
<b>Recommendation 5: Remove barriers</b>	<p><b>A5.2</b> Public sector organisations must ensure that budgeting arrangements support sustainable procurement, including co-ordinating management of capital expenditure and operational expenditure, and explore innovative ways to overcome upfront affordability problems</p> <p><b>A5.3</b> Government must evaluate pilot public sector energy efficiency fund and consider expansion in Comprehensive Spending Review, so that lack of upfront capital does not rule out the sustainable option</p> <p><b>A5.4</b> Treasury and DfES must work with Building Schools for the Future programme to ensure that it is meeting high sustainability standards and to learn lessons for other capital projects</p>	<p><b>A5.1</b> Treasury must produce simplified Green Book guidance which is easy to use and must enforce requirement for whole life costing</p> <p><b>A5.5</b> Government must develop mechanism to address cross-departmental cost and benefit issue</p>			
<b>Recommendation 6: Capture opportunities</b>	<p><b>A6.1</b> Government must lead the public sector in setting forward commitments to purchase innovative solutions and establish clear routes to public sector market for suppliers of innovative solutions – including procurement portal / call</p> <p><b>A6.2</b> Government must establish mechanisms to overcome capability issues amongst suppliers of innovative solutions especially SMEs and the Third Sector</p>	<p><b>A6.3</b> Delivery team must provide guidance on procurement of innovative solutions including outcome-based requirements; articulating unmet need, use of Flexible Framework to drive innovation; informed approach to risk management and building supplier relationships</p> <p><b>M6.1</b> All public sector organisations must add additional local priority spend areas in addition to national list provided to determine their own priority list</p>	<p><b>A6.4</b> All public sector organisations must work with key markets on joint improvement programmes delivering sustainability and value for money, including appropriate allocation of risk in priority sectors</p>		<p><b>A6.5</b> All public sector organisations must integrate sustainable development and procurement through use of risk-based approach.</p>
<b>Scrutiny across the board</b>	<p>Scrutiny by SDC, NAO, Audit Commission [through CPA process] and Healthcare Commission</p> <p><b>All public sector organisations to measure and report progress against the Flexible Framework and minimum specifications on an annual basis and take actions to improve performance. SDC in its new watchdog role, NAO, Audit Commission and Healthcare Commission to scrutinise.</b></p>				

**All recommendations to be underpinned by effective MEASUREMENT and SCRUTINY**

