



Sustainable Procurement Strategy

Current Version 1.0

Produced by the Corporate Procurement Unit, Scottish Borders Council
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1. Introduction

Scottish Borders Council's 'Building a Better Borders – Corporate Plan'

*'We must promote **sound environmental practices** and **reduce waste** within the Council'*

Scottish Borders Council Procurement Strategy

'The Council is committed to the pursuit of sustainable development and will ensure that its procurement activity supports that commitment'

Scottish Borders Council Corporate Environmental Action Plan 2004-7

Corporate Action A5; 'Develop an Environmental Procurement Strategy for SBC'

1.1 Purpose/Scope

The Council has clearly identified as a corporate priority the requirement to integrate into its business processes and procedures environmental and sustainable considerations. The development of a Sustainable Procurement Strategy is an essential element in the delivery of this priority.

All public procurement should be based on obtaining best value for its stakeholders including tax payers, however by using their purchasing power to opt for goods and services that consider environmental and social issues, public bodies can make a considerable contribution to meeting objectives relating to sustainability and hence enhance the value of their procurement.

Sustainable Procurement means achieving four objectives;

effective protection of the environment e.g. by reducing CO₂ emissions and environmental impacts to mitigate climate change;
prudent use of natural resources;
social progress that recognises the needs of everyone;
maintenance of high and stable levels of economic growth and employment

This strategy document provides guidance to SBC staff on how to consider sustainable issues in their Procurement activity and identifies a measurable action plan that can be reviewed and revised.

The scope of the strategy is the same as that in the Procurement Strategy approved by the Council in May 2005, that is all procurement activity, but with an emphasis on the key products and services that are procured by the Council that have the greatest environmental and social impact.

The aim of the strategy is to;

- 1) *Improve the management of the environmental risks arising from the products and services the Council buys*
- 2) *Embed sustainable considerations into routine procurement decisions*
- 3) *Ensure consistency with considerations of cost-effectiveness, affordability and value for money (‘the optimum combination of whole life cost and quality or fitness for purpose to meet the customer’s requirement’)*
- 4) *Develop a measurable action plan that is subject to regular review and revision*

1.2 E.U. Public Procurement Legislation

The Principles of the Treaty of Amsterdam (previously the Treaty of Rome); transparency, openness, non-discrimination and equal treatment – must apply to all public contracts, not just those above the EU thresholds. For example any procurement process that prevented the free movement of goods and services or discriminated on grounds of nationality or location would be in breach of the principals.

The main ways in which the legislation affects the procurement process in terms of sustainable issues are;

a) Specifications - public bodies are able to specify their requirements in sustainable terms provided they do not discriminate against products or providers, e.g. it is acceptable to specify that windows be made from wood from sustainable forests.

b) Selection of Tenderers - the Directives set out detailed criteria for the selection of tenderers based on evidence of their personal position, economic and financial standing, technical capacity and their ability to provide the service. Questions regarding the suppliers’ general policies are not permitted unless they are directly relevant to the performance of the contract, e.g. it is acceptable to specify that windows be made from wood, but it would not be acceptable to require the supplier manufacturing the windows to use recycled paper in its office as this does not relate to the production of the goods in question.

c) Award of Contract - only two criteria are permitted – ‘the most economically advantageous’ or the ‘lowest price’.

The most economically advantageous offer would include evaluation on ‘whole life costing’ basis which can legitimately incorporate an assessment of environmental costs.

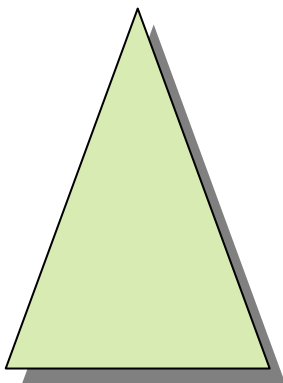
d) Contract Terms & Conditions – an example of an acceptable condition might be “Whilst working on the organisation’s premises the contractor will comply as far as possible with the organisation’s green strategy”, an unacceptable condition would be “the contractor must have, or introduce’ a policy of only using recycled paper in the conduct of its own business”.

2. The Procurement Process – Applying Sustainable Considerations

2.1 Identifying Need

Before actually specifying what is to be procured there is usually a process of considering the business need and the ways in which it might be satisfied. This early stage of identifying a need and developing a business case might well be achieved by a suitable group of skilled individuals. It provides the first opportunity during the procurement process to consider issues of sustainability by introducing a basic assessment of environmental considerations into the process. This will ensure that when preparing the specification cognisance has been given to a variety of issues including potentially sustainable-sensitive solutions.

A recognised tool for use when identifying the need is the Environmental Purchasing Hierarchy;



<i>Re-think</i>	<i>e.g. service instead of product?</i>
<i>Eliminate</i>	<i>e.g. hazardous material content</i>
<i>Reduce</i>	<i>e.g. emissions produced</i>
<i>Re-use</i>	<i>e.g. packaging</i>
<i>Recycle</i>	<i>e.g. paper, glass</i>
<i>Dispose</i>	<i>e.g. minimise quantities and therefore cost</i>

Other environmental risk assessment considerations might include;

- *Will the purchase or the service provider have potential for high-energy consumption? (e.g. A pump uses a significant amount of energy in its life)*
- *Will the product be made of, or might the service provider use unsustainable materials? (e.g. consider whether the materials regenerate themselves such as softwood timber whereas aggregates do not regenerate themselves)*

- *Might the item or the service provider have potential to cause a pollution incident in the performance of our work? (e.g. Plant working in or near a water course has the potential to cause pollution due to the amount of fuel/hydraulic fluids contained in the machine)*
- *Are excessive emissions caused during the manufacture of the goods which may be used directly or by service providers (e.g. consider how processed and manufactured the goods/services are, plastics are highly processed from oils with subsequent high energy inputs and emissions)*
- *Is there a likelihood of a developing world supply chain? (consider if the materials that comprise of the goods or service originate from the developing world)*
- *Is there an environmental/social PR risk to the organisation in purchasing the product or service? (e.g. any purchase of tropical hardwoods/potential use of child labour can result in negative press)*

When identifying the need it is not necessary to identify the solution, there may be many ways in which a need can be met for example;

- *Rather than purchasing new printers for every desk, use networked shared printing facilities e.g. current photocopiers with networking print facilities*
- *Rather than arranging a business travel contract, consider installing video conferencing facilities at major sites to cut down on business travel*
- *Rather than letting waste management contracts for packaging waste, consider working with suppliers to introduce returnable packaging for delivery of their products*

2.2 Specification

The preparation of the specification is the key stage at which sustainable requirements can be built into the contract requirements.

The Council is free to specify what it requires in terms of performance or functional requirements providing that they are not discriminatory or anti-competitive. If, when writing the specification, users focus on the outcome or functionality, this can provide greater opportunities for suppliers to be innovative in providing a solution and to meet the sustainable requirements.

When writing the specification it is also permissible to specify the materials that should be used e.g. products must be made out of recycled or recyclable material or products must not use ozone-depleting substances.

Within the specification it is possible to define one or more options with higher environmental performance in addition to the 'basic' option. When evaluating the offers, the best option to meet the needs can be identified in accordance with the award criteria identified in the contract documentation.

Issues to consider whilst preparing the specification might include;

2.2.1 Eco-labels

The EU Eco-label scheme allows consumers to identify products that meet formally approved criteria, based on life-cycle environmental impact. These labels are often used by suppliers to show buyers that their products have been certified as meeting a particular set of environmental standards. Although Eco-labels are a useful tool it should be noted that the scheme is voluntary and it is at the discretion of suppliers to apply for the label. Many products with no eco-label meet, or even exceed, the standards set by established eco-labels. This is because achieving standards set by eco-labels is expensive. It often requires rigorous testing, external verification and ongoing tests.

The Council must exercise caution in their use of eco-labeling schemes in the tendering process; specifications can be drawn from an eco-label criteria where it is appropriate, but a specific label cannot be explicitly required.

2.2.2 Environmental Management Systems

Formal standards for environmental management systems are available and provide evidence that suppliers are operating to control their environmental impacts. Companies can obtain certification for their environmental management systems under ISO14001 or the Eco-Management and Audit Scheme (EMAS). Both these schemes are voluntary and therefore, as it would be unreasonable and possibly open to legal challenge, we cannot require suppliers to comply with them as a condition of selection to tender or award of contract.

Contracting authorities can require evidence of environmental measures only where they are relevant to the execution of a contract e.g. for the provision of facilities management services in an organisation accredited to or seeking accreditation to ISO 14001. An environmental management scheme will never be applicable to a supplies contract. Evidence of an environmental management scheme can be sought through;

- EMAS
- Environmental management standards based on the relevant European or International standard
- Equivalent certificates from bodies established in other member states
- Evidence of equivalent environmental management measures

2.3 Award Criteria

In order to comply with EU legislation, the award criteria (used to evaluate the offers) and their weightings must be included in the contract notices or

contract documents and they must be relevant to the subject of the contract. The criteria may include; quality, price, technical merit, aesthetic and functional characteristics, environmental characteristics, running costs, after sales service and technical assistance, delivery date or delivery period or date of completion.

3. Evaluation

3.1 Obtaining Best Value

The EU Procurement legislation permits contracts to be awarded on the basis of lowest price or most economically advantageous tender. The latter option is equivalent to Best Value, which is not about securing the lowest initial price; it is defined as the optimum combination of whole-life costs and quality to meet the user's requirement.

3.1.1 Whole-life Costs

Issues to be considered under whole-life costs would include;

- Initial purchase price
- Installation costs
- Transport costs
- Energy/water consumption
- Annual licence fees
- Maintenance costs
- Direct running costs – resources used over the life-time of the product or service
- Indirect costs – e.g. less energy efficient IT equipment will produce more heat, which will put greater pressure on the air conditioning system, increasing costs in this area
- Administration costs – e.g. COSHH overheads from buying hazardous products requiring additional controls, special handling and disposal
- Spending to save – investing in higher levels of insulation to reduce energy bills
- Disposal costs – recyclable products may have lower disposal costs

Whole Life Costing Example

Battery Type

	Alkaline	Zinc- Chloride	Nickel- Cadmium
Cost per Pack of 4	£3.00	£1.50	£6.00
Battery Life	15 hours	6 hours	7 hours
No Packs Required	67	167	1
Sub-total	£201.00	£250.50	£6.00
Price of Recharging Unit	N/A	N/A	£10.00
Energy to Recharge	N/A	N/A	£1.43
Staff time to collect batteries and recharge	N/A	N/A	Av. 23 hours for 139 charges @ £5.20 per hour = £119.60
Disposal	268 batteries @ 1p each = £2.68	668 batteries @ 1p each = £6.68	4 batteries (can be recycled) no charge
Total Cost	£203.68	£257.18	£137.03

3.1.2 Quality and Fitness for Purpose

Considering the quality element enables certain sustainability aspects of a bid to be considered, for example considering the noise made by an appliance.

3.1.3 Meeting the User's Requirement

The objective of achieving value for money applies to the award of a contract to meet the users' requirements, not determining the solution. The users' requirement is contained within the specification of requirements and this is the most appropriate time to include sustainable requirements.

3.2 Award Criteria

The offers must be evaluated using the award criteria that were identified in the contract notice or contract documentation. It is not possible at the evaluation stage to introduce a new award criteria e.g. a requirement for recycled products.

4. Social Issues in Procurement

The opportunity to take social issues into account during the procurement process is more limited than that for environmental issues, because generally

they are less likely to be clearly related to the subject of the contract. There will often be more efficient and effective means of achieving social outcomes than through their consideration in the procurement process. There are however cases where social issues can be legitimately considered; service contracts are more likely to have a social aspect than supply contracts.

As with environmental issues, the consideration of social issues is most appropriate at the identification of need and the specification stages, examples include;

- Ensuring that an IT system is accessible to disabled users or that a caterer will provide meals suitable for special religious or other diets.
- Where a contract requires particular skills or expertise of a social nature e.g. it is legitimate to require specific language skills or other expertise to meet the needs of the community they will be serving
- An award criteria could be included which relates to the employing of the long term unemployed during the period of the contract, but this could **not relate to a specific region or country**
- The facility exists to have reserved contracts which reserve the right to award contracts to sheltered workshops or that the delivery of the contracts be executed in a sheltered workshop, providing most of the employees are handicapped persons who cannot carry on occupations under normal circumstances, but again this could **not relate to a specific region or country**

There are many products and services that have a developing world supply chain e.g. raw materials such as rubber and plastics are being sourced from the developing world. Therefore organisations need to consider what products and services they are procuring which may be from a developing world supply chain. However, once this has been recognised what should be done? To cancel contracts and only source from the developed world can just exacerbate the problems of the developing world and can cause even greater social problems. What could be considered is identifying what are the minimum standards that must be adhered to by a supplier doing business with the organisation, for example; no children working under the age of 14 (ILO Convention 38), no forced labour. Having identified the minimum standards then a process for monitoring compliance with these standards must be introduced. Not all elements of the supply chain may initially meet this standard, in these incidences a decision is required whether the best option is to terminate the contract or work with supplier to enable them to meet the standard, one option may be to use the potential savings from a contract for reinvestment into social improvement in the supply chain.

5. Environmental and Social Risk Assessment

The basic risk assessment used when identifying a need during the procurement process ensures that sustainable considerations are made

before a purchase is made, however in order to develop a strategic approach ensuring sustainable supply chain management a more detailed risk assessment is required. There are many models being used, The Environment Agency has an excellent model however this is quite complex and a more 'user friendly' option is preferable for an organisation when implementing a risk assessment model.

Belfast City Council have used a model which assesses the 'environmental/social risk' and 'profile risk' of planned procurements. Their approach is recommended for adoption by the Council.

A purchase could be classified as having a high or low 'environmental' risk in terms of the;

- sustainability of the raw materials used
- energy consumed in the conversion process
- ability to be reused or recycled
- biodegradability at the end of its useful life

A purchase can also be classified as having a high or low 'profile risk' for example in terms of;

- public's perception of whether the purchase is 'environmentally friendly'
- potential for adverse publicity associated with the purchase
- potential to detract from the organisation's good environmental practice

Environmental risk is concerned with actual knowledge; profile risk is concerned with the perceptions of those outside the organisation, what they think the organisation 'should be doing' and the potential for adverse publicity that would detract from other good work being carried out.

Initially products/services are categorised as follows;

Categorisation
of Risk

Product/Service	Environmental Risk		Profile Risk	
	Low	High	Low	High
Paper	✓			✓
Uniforms	✓		✓	
Tyres		✓		✓
etc.				

Thereafter a risk matrix is produced by positioning the products/services;

Risk Matrix

Hi	Bitumen	Cleaning
	Bulk Container Bins	Materials
Env. Risk	Catering	IT Equipment
	Electrical Equipment	Paints and Oils
Lo	Grounds	Tyres
	Maintenance	Waste Disposal
Lo	Brushes	Paper
	Fitness Equipment	Office
Lo	Uniforms	Stationery
	Radio System	Security
Lo	Travel Agency	Services
	Services	Event
		Organisers
		External
		Publications
	Lo	Hi

Profile Risk

This matrix then enables an organisation to identify the products and services that pose the greatest risk and prioritise the action to be taken.

5. Way Forward

5.1 Responsible Officer

The Corporate Procurement Unit will provide guidance and support to the Council, however within each department a designated 'Procurement Officer' should be identified with their duties including responsibility for ensuring the Sustainable Procurement Strategy is implemented.

Target Date; October 2006

5.2 Training on Sustainable Procurement

All staff involved in the procurement process require training on how to implement the guidance contained in this strategy and the approved environmental and social risk assessment. A training programme must be designed and implemented for delivery to all appropriate staff. The procurement forum can facilitate the dissemination of information; however senior managers must support the training initiative.

Target Date; December 2006

5.3 Environmental and Social Risk Assessment

Carry out an initial basic assessment that will identify the key areas to be targeted. Following the initial assessment, identify and approve a more

detailed environmental and social risk assessment model appropriate for use by Scottish Borders Council must be identified and approved.

Target Date; March 2007

5.4 Banned Products

Leicester City Council has identified a list of products which the Council or its Contractors are banned from using where an alternative product or method is available. They are;

- **ozone** depleting chemicals
- **tropical hardwood** which is not independently certified as coming from a well managed forest (e.g. FSC or European 'Woodmark or equivalent' label).
- **pesticides** on the UK 'Red List' and EC 'Black List'
- **peat** for soil amelioration purposes

Consideration is given by SBC to banning the use of the above list of products where an alternative product or method is available.

Target Date; October 2006

5.5 Scottish Executive's Consultation on Recyclable Content

The Scottish Executive issued a consultation document to all public sector organisations on proposed targets being established for the recyclable content relating initially to paper and construction. Paper includes; purchasing of office and copier paper, procurement of reprographic and printing services and specification of relevant products in catering and hygiene services. Construction includes construction and major refurbishment of public buildings such as offices, schools, hospitals, social housing and roads.

SBC must consider how it will measure current usage of products with a recyclable content to establish a starting point against which improvement can be measured and in view of the potential requirement from the Scottish Executive.

Target Date; March 2007

5.6 Benchmarking

Liase with other Local Authorities and establish a system of benchmarking which will identify what sustainable products are being purchased and which products are on a 'not to buy' list.

Target Date; July 2007

5.7 Product Guidance

A guidance document on key products to be developed which will provide information and guidance on the associated environmental risks and alternative products.

Target Date; June 2007

5.8 Review of Sustainable Procurement Strategy

To ensure continuous improvement the strategy should be reviewed on an annual basis, to assess whether objectives have been successfully delivered, amend or add new objectives as required. Revise in accordance with any changes in EU Procurement Legislation.

Target Date; June 2007

6. Useful Web Sites

Sustainable Procurement Task Force

www.sustainable-development.gov.uk

Defra Public Sector Food Procurement Initiative

www.defra.gov.uk

IDeA sustainability and local government procurement guide

www.idea.gov.uk/procurement

Energy Saving Trust

www.est.org.uk

The Carbon Trust

www.thecarbontrust.co.uk

Scottish Executive – Public Procurement and Sustainable Development

www.scotlandexecutive.gov.uk

7. Sources of Information

Scottish Executive – Public Procurement and Sustainable Development

Chartered Institute of Purchasing & Supply – Sustainable Procurement Guidance

Office of Government Commerce – Joint Note on Environmental Issues in Purchasing

BiP Solutions - A Guide to Developing Green and Social Procurement Strategies

The Environment Agency – Sustainable Procurement Guide

Scottish Borders Council – Corporate Environmental Action Plan 2004-07

Scottish Borders Council - 'Building a Better Borders – Corporate Plan'

Scottish Borders Council – Procurement Strategy