

Making Procurement Work for a Sustainable Birmingham

**A summary report for Birmingham Strategic Partnership by
Localise West Midlands, March 2007**

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Introduction

The idea that public sector procurement can be used to achieve far wider aims than just to buy the cheapest product that does the job is currently gaining wide currency. This approach is generally called sustainable procurement.

It takes the stance that public procurement can be used to:

- Ensure that goods and services bought have a minimum or a positive impact on the environment - particularly in relation to climate change.
- Build stronger local economies and supply chains particularly linked to regeneration, the promotion of innovation and local SMEs and the third sector.
- Create social benefits such as equal opportunities, training, health and social inclusion.

At the same time there are pressures for greater immediate cost savings through procurement. This has resulted in moves to amalgamate small into larger contracts and to reduce the staffing costs associated with procurement. Sometimes these short term cost savings produce cost increases in the longer term or to other departments.

Public procurement affects everyone who works in or receives services from the public sector. The BSP partners between them spend around £6bn a year.

There are a wide range of different perspectives and interests involved in making procurement decisions and in the benefits or deficiencies of the goods and services bought. There are dangers of public procurement becoming overly complicated if it tries to cover every possible approach in each contract – or ineffective if it ignores crucial interests in any particular contract. It should not be a ‘one size fits all’ approach.

In our work for the BSP we were able to identify many examples of good practice - old and new. However they were often in isolated pockets, not well known and sometimes short lived.

The real challenge now is to move these examples of good practice into the mainstream and to ensure they are built on and continue into the future.

To achieve this requires

- 1 a much wider recognition of the **potential of sustainable procurement**
- 2 an understanding of **when it is appropriate** to use the differing approaches to procurement
- 3 decision-making systems that enable **the right balance** to be achieved
- 4 **buy-in** across the procurement chain to the principles of sustainable procurement
- 5 access to high quality **knowledge and technical input**
- 6 **the right policy framework** for the organisation.

This report provides a guide to sustainable procurement and to achieving effective mainstreaming.

Who it is for

It has been our assumption in writing the full report ¹ that procurement experts understand their topic as sustainability or regeneration officers understand theirs. However, because so many people are affected by and have a legitimate interest in procurement, there is a need for a wide range of understanding for the different perspectives. Senior managers and councillors require an overview, policy makers need an understanding of the policy context and the possibilities, while experts in regeneration or sustainability need to know how they can most effectively input into the process. Budget holders need an understanding of how their own organisations systems work and how they can most effectively input into them as well as an understanding of what is the most effective approach for them to take to achieving their aims. Procurement

¹ *Developing Sustainable Procurement in Birmingham, A report for the Birmingham Strategic Partnership*, by Localise West Midlands. Available from www.localisewestmidlands.org.uk

officers also need to know about good practice elsewhere, how to ensure that their approach meets the needs of those they are procuring on behalf of as well as how to create the necessary buy in.

We have sought in our main report to provide information that will be of value to people involved with procurement from a wide range of perspectives. Different people will therefore find different sections of it of interest to them.

The following guide provides a shorter summary in 7 sections for all interested parties, followed by LWM's proposals for further work and our recommendations for full implementation.

What is sustainable procurement?

Sustainable procurement is defined by the National Task Force² "as a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieve 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".

Sustainable procurement is about more than just environmental issues.

Examples include:

- Considering the impact on the environment of how goods and services are produced and transported. E.g. minimising embedded energy or using recycled goods.
- Considering the costs and benefits to the organisation as a whole not just the specific budget holder. E.g. buying healthier food for school meals so that pupils are able to concentrate and learn more effectively
- Using whole life costs. Eg taking into account heating, repair and maintenance costs of new buildings.
- Considering the social implications eg equal opportunities of fair trade.
- Considering the implications on the local economy. Eg linking contracts to training or developing new firms. Using the LM3 methodology within regeneration areas.

In some ways sustainable procurement is nothing new. Social clauses requiring equal opportunities have been standard in contracts for many years. Many contracts require sustainably sourced timber, construction linked training contracts were pioneered in Birmingham in the 1980s. There is however the potential to achieve far more and recent developments mean that EC regulations are not as restrictive as has been believed.

General Tips for Best Practice

The following points are relevant to all organisations

- Have a policy
- Be clear what you want to achieve
- If you are doing something for the first time, find out if someone else has already done something similar and talk to them.
- Think through whether a contract clause is the best way to gain added benefits?
- Can you measure the benefits?
- Think who needs to be involved in the decision, experts, end users, residents?
- When specifying - Think about the impact on your whole organisation,
 - Think about the future, whole life costs and future needs for goods and services
 - Should the added benefit be part of a main clause or additional criteria?

² Report of the Sustainable Procurement National Action Plan 2006 Securing the Future p10.

- Have a structure or process that is appropriate to your organisation.
- Train to enlist people's hearts and minds, listen to their concerns –rather than just telling them the procedures.
- Review existing contracts and standard clauses to remove any that are not necessary to achieve your aims.
- Have thresholds below which you adopt simpler and faster procurement approaches.

An effective procurement process needs to bring together and balance:

- The needs of the organisation as a whole to achieve its policies and value for money, (Councillors, Senior managers, policy staff, and procurement staff)
- The needs of specific budget holders who are responsible for ensuring that their targets are achieved often with very tight timescales imposed on them. (Budget holders)
- The needs of end users who deliver services and may have a wide variety of different demands from specific products being procured on their behalf. (Service delivery staff)
- Technical knowledge of the products available from the market. (Procurement staff, economic development, service deliverers).
- Technical knowledge of legislation, standing orders and different approaches to procurement. (Lawyers and Procurement staff)
- The needs of the specific citizens or other beneficiary of the service that the Council is providing. (Service users)
- Fully adopting sustainable procurement practices will also add in the need to understand the impact on the local economy now and in the future (economic development and supplier organisations) the environment (sustainability experts) and social (potentially a wide range of expertise that will differ with each contract.) In addition there may be a need to include the perspective of other budget holders on whose activities the contract has the potential to impact positively or negatively.
- Where the council is also procuring with or for other organisations they also need to build in all the other perspectives of these bodies.

However different organisations have different needs.

In small organisations all of these perspectives can be found in a very small number of people and they can also involve their clients directly in the commissioning process. On the other hand they will not have the access to the depth or width of expertise available to, for example, the Council.

1. Making the case; the potential of sustainable procurement

This part covers three elements that may be needed to help make the case for more sustainable procurement in your organisation. They are: A) the benefits that it can achieve, B) the support for the approach contained in national policy and C) the legal framework that identifies that the approach is legal.

A. The benefits

Public expenditure by BSP partner organisations in Birmingham amounts to around £6bn a year. This has the potential for huge influence on how goods and services are produced, delivered and sourced and through that on the overall wellbeing of current and future citizens of Birmingham.

Environmental

Climate change and the impact of CO₂ emissions is one of the highest priority issues for public sector organisations at the present time. The protection or creation of a healthy environment now and for the future is about far more. Contracts can take account of the impact of products on the environment.

Example 1: Stechford community heating project

The Stechford community heating project was undertaken by Birmingham City Council in response to the need to update the heating and insulation in three 13-storey apartment blocks, built in the Stechford area in 1964. Fitted with metal-framed single glazing, and with poor insulation, the apartment blocks were almost impossible to heat properly, and residents paid high heating bills while suffering low winter temperatures. The council's solution was to create new generating capacity at the nearby Cascades leisure centre, and use this in a Combined Heat and Power system. The CHP generator was to supply 180 kW of electricity for the leisure centre, and 350 kW of heat, supplied to each apartment block through underground heating mains. To improve the efficiency of the community heating, each apartment was also refurbished to improve its insulation and energy use. As well as extra insulation, each apartment was refitted with double glazing, and the old under floor electric heating replaced with conventional radiators fed by the CHP system.

Following community consultation, the project began in 1992. The total costs for the project were £385,000 for the CHP generator, and £1.86 million for the refurbishment of the 150 flats and the new heating mains. The costs of installing and maintaining the generator were met by an independent company operating under a 10 year energy services contract, and part of the cost of refurbishing the flats was met by funding from the government's Green House program. Results of the project were a significant reduction in both the energy bills of residents and the CO₂ emissions resulting from heating the flats, as well as a considerable improvement in the quality of heating provided, enabling better winter temperatures without increasing energy usage.

- Average weekly heating bills, which had been £20 at the start of the project, were reduced to between £4 and £5.
- More efficient energy use and generation resulted in a reduction in CO₂ emissions of approximately 1900 tonnes a year
- The flats now meet the minimum standards for heating and insulation in council housing.

The concept of a country's or an organisation's **ecological footprint** is becoming established. It uses as a measure the area of productive land or water needed to supply our resources and absorb our pollution, and thus reflects the overall impact of our activities on the environment.

In Birmingham, the ecological footprint is just under the national average, at around 5.25 hectares. This means that nearly *three planets* would be needed to support the city's resource consumption, if the whole world were to use as much resources as we do³. The BSP's £6bn of expenditure has the potential to have a major impact on CO₂ emissions and the overall ecological footprint that results from Birmingham by moving the pattern of expenditure to goods and services that are produced with a smaller ecological footprint. Birmingham City Council's Cabinet Statement on Sustainability⁴ approves the use of ecological

³ WWF "Counting Consumption: CO₂ emissions, material flows and Ecological Footprint of the West Midlands"

⁴ 25th September 2006

footprint as a measurement tool.. The Council's Going for Green project provides an example of taking a wider approach to protecting the environment.

Example 2: Ecological footprint

WWF have developed a tool that calculates the resource implications of human activities on the natural environment on which we depend. It uses as a measure the area of productive land or water needed to supply our resources and absorb our pollution. This can be applied for monitoring and to inform decision-making in various local authority activities including procurement. A How-to guide for local authorities can be found at:

<http://www.wwflearning.org.uk/data/files/local-authority-how-to-guide-345.pdf>

REAP modelling tool

An integrated resource environment modelling tool has been developed to facilitate the application of environmental footprinting to decision-making; it is called the Resource and Energy Analysis Programme and can be found at: <http://www.sei.se/reap/>

Unique to the UK, REAP features a number of approaches that enable a policy maker to compare the potential impacts of policy options on the environment, helping to formulate strategies with a lower ecological footprint for local, regional and national government.

In practice

Scottish councils (Aberdeen City, Aberdeenshire and North Lanarkshire) are undertaking some work to link environmental footprint with Best Value, for example:

- Analysis of one of the biggest regeneration projects in Europe, Ravenscraig, devising options to reduce the development's Footprint, which may lead to better public transport systems from the outset and more eco-friendly house design.
- Research on school meals show that healthier meals are also better for the environment, with more fruit and vegetables and less fat, resulting in 25% smaller food footprint. For some menus, a reduction of as much as 42% can be achieved.

More information can be found at: <http://www.scotlandfootprint.org/>

Contracts can be used to minimise pollution, require good health and safety standards and support the creation of a healthy environment.

Procurement contracts can be used to help provide a strong vibrant social economy with suppliers required to take account of their impact on the place that is Birmingham.

Social

Working Conditions. Many consider the idea that public sector contracts can include conditions that define the way contractors treat their employees to be controversial. However this is exactly what TUPE and equal opportunity clauses in contracts do. Very few public sector contracts will be let without an equal opportunities clause requiring the contractor to adopt particular practices in relation to recruitment and employment. There is the potential to impose further requirements around staff training and development, family friendly employment practices or health and safety for instance. This is however an area in which there are legal complexities.

Example 3: Newcastle schools

In Newcastle, a city-wide strategy that has developed a range of school-based healthy eating projects is making a real difference in the classroom and tackling some well established bad eating habits. The fact that 60 per cent of its schools have 20 per cent or more free school meals entitlement means that school is the perfect environment to change these habits.

The Newcastle School Food Initiative (NSFI) was launched in 2000 as part of a wider healthy schools programme. Lead partners included Newcastle PCT, Newcastle Nutrition, Newcastle LEA, The Newcastle Community Food Initiative and Newcastle City Schools Catering.

With funding provided by the local Health Action Zone the aim was to promote the importance of good nutrition among children, tackle health inequalities, improve the health value of food in schools and increase the potential for educational achievement in the classroom.

Measures included: water in classrooms to help keep children hydrated and alert; growing projects, cooking clubs, breakfast clubs, healthy tuck shops and creative food schemes.

An independent report by Newcastle University showed a significant increase in provision of nutritional requirements, and a positive effect in the classroom including increased punctuality and attendance, improved communication, better behavior and higher self-esteem. In essence children were more awake, alert and ready to learn¹.

Health is clearly a primary concern for the various NHS authorities but is also clearly of relevance of other BSP partners. Using procurement processes to specify healthier food is starting to be a usual practice. There are also potential health benefits to be achieved through environmental clauses and work practices.

There is the potential for major **regeneration** gains through procurement practices. The LM3 model demonstrates the way in which capturing more of the spend from a project within an area can have a multiplier effect on the local economy. Considering the location of where suppliers are expected to provide a service from could have a major impact on regeneration areas. Training clause can be targeted at the long-term unemployed. Support can be targeted to developing firms in such areas and linked to growth areas in local public expenditure or areas where there are supply problems. Care needs to be taken with the wording and specification of contracts to avoid legal problems.

Example 4: Northumberland Council Food Procurement

Following the publication of the government's 2004 Gershon report on procurement and in preparation for the expiry of the existing contract for the supply of food to local schools, care facilities and civic centres, Northumberland Council began a review of its tendering processes. This was designed to end any bias in the process working against local suppliers and to increase the quality of food procured, including an increase in local and organic produce. To facilitate this review, the Council worked in partnership with the New Economics Foundation, carrying out a benchmarking exercise using NEF's LM3. This benchmarking process found that 76% of money received by local suppliers was re-spent within the Northumberland area, compared with 36% for suppliers from outside of the area. It also indicated that a 10% increase in Council money spent locally would result in an extra £34 million staying within the local economy, and would result in a £9.5 million annual efficiency gain.

After carrying out the benchmarking exercise, the Council began to redesign the tender process for the contract, and to take steps to ensure that local suppliers had the support and opportunity to take part in the tender. Measures taken included:

- Organising a seminar to explain the contract requirements to all existing suppliers, and to all small and local suppliers.
- Second-tier suppliers not bidding for tenders themselves were encouraged to achieve approved supplier status, facilitating their involvement in the procurement chain.
- The regional Business Link and Northumbrian Larder were consulted, and provided advice and technical assistance to suppliers completing the paperwork for the tender.
- The tender was developed under the concept of best value - the previous contract had a quality/price ratio of 40/60, and this was reversed to 60/40 for the new contract.
- The tender was split into 7 lots, with each lot further divided into 4 areas. This gave suppliers the opportunity to bid for smaller contracts, helping overcome one of the main barriers to many smaller suppliers.
- Included in the quality criteria of the tender was the requirement for contractors to aid the catering services department in following a sustainable food procurement strategy, including supplying local and organic food where specified by the end user.

The benefits and outcomes of the project were identified as follows:

- There was a five-fold increase in Expressions of Interest from local suppliers over the previous tender process.

- The tender for four of the seven product categories was awarded to local suppliers.
- Breaking the tender into lots was deemed a success. While it involved more work in terms of contract management, this was considered to be one of the main factors behind the increased number and quality of bids.
- The project resulted in better relations between the Council and both local suppliers and the local business support agencies.
- The LM3 tool was considered sufficiently useful in quantifying the local economic impact of Council for a full-time post of LM3 manager to be created, and for targets derived from the tool to be incorporated in to the Council's finance and procurement strategy - in particular, the target of increasing the proportion of Council procurement spending going to local businesses by 10%.

Economic

The biggest benefit to the Birmingham economy would come from ensuring that more of its public sector money is spent in Birmingham, supporting local jobs, local spending and boosting the local economy through a multiplier effect. While EC regulations restrict procurement from specifically targeting local firms as suppliers there are still many practical ways in which procurement can be used to increase the impact of public sector spend on the local economy.

Example 5: Gateway Family Services Community Interest Company

This was initiated within Birmingham South PCT. They identified difficulties in recruiting people from disadvantaged areas into health work. They also recognised the health benefits of getting people from such areas into work and considered that there was a need to improve the supply of services to the PCT within the family care sector. Funding was obtained through the Mainstreaming Surestart Approaches Fund at the Department for Education and Science and the Gateway project was established within the PCT. Its initial purpose was to provide training.

While the involvement and co-operation of health and other professionals were recognised to be essential, it was also understood that it would be counter-productive for individual projects to recruit their own professionals because this would simply deplete the health system as a whole. Professionals were therefore seconded for six months to write a training programme for para-professionals using a mix of skills.

Qualifications were defined and work done with the Children's Centres in Birmingham to persuade them to accept them as a basis for the recruitment of staff, rather than the standard nursery nursing qualifications, which did not incorporate any training in or understanding of deprivation.

The service has now become an independent Community Interest Company operating as a social enterprise reliant entirely on trading. It started with about 5 staff; it now has about 100 part-time and full-time employees. Training of 150 local people has been completed; 40 now have jobs in social care, having previously been unemployed.

Paradoxically for an organisation originating in the health service, training is its core business, not the delivery of health care. Trainees are recruited through the Children's Centres and Surestart; there is no advertising and they have a waiting list of 143. The training is structured to provide basic skills and confidence leading on to work experience and a pathway right through the education system, ultimately to degree level and beyond.

The organisation also has a service delivery arm in which it employs graduates of its own training programmes; the main focus is on offering support during pregnancy to women in disadvantaged areas and men over 40 identified as at risk of coronary disease.

The level of public sector expenditure in Birmingham gives huge potential to **influence markets**. Undoubtedly requirements around equal opportunities and sustainably sourcing materials have had a major impact. Public procurement can have a major impact on how producers operate and on what is profitable for them to produce. Forward projection of demand for new products can be used to influence what is produced by suppliers and particularly by local suppliers. Supporting the development of local suppliers through the economic and business development and research programmes of the partners can help ensure that there are local suppliers capable of delivering the goods when the increased demand is there.

Future Competitiveness. Procurement can be used to influence suppliers and supply chains in many ways both consciously and unconsciously. Contracts particularly larger ones can result in reducing current and future suppliers and therefore competition by the way they are drawn up. Alternatively organisations can use their spending power linked to business, economic development and regeneration activities to develop new suppliers and increase effective future competition. (See the examples of South Birmingham PCT and Castle Vale Community Housing)

Example 6: Castle Vale Community Housing Association (CVHA)

CVHA seeks to operate more effectively as a registered Social Landlord by fully involving residents in its management and decision-making, and also by endeavouring to procure services from local businesses and residents' businesses where possible and appropriate. It adopts a policy of supporting businesses in the development of their capacity, while taking a tough stance if those businesses then prove unable to meet the necessary quality standards. Again, it achieves gains in terms of social inclusion, employment opportunities and local money flows when delivering its core services.

Organisational effectiveness

Whole-life costing. Only considering the immediate short-term costs of a project while ignoring longer term savings is a clear example of unsustainable procurement. Pressures for short-term savings or from inappropriately disaggregated budgets can produce such decisions. Often capital budgets are separate from the revenue budgets that will be required to pay for the future running costs enabling the holder of the capital budget to make savings that will cost the organisation more in the future. Short-term savings that just push costs in to the future are likely to result in ongoing pressures to make more and more short-term savings.

Whole system costs and benefits. It is a common practice for budget holders when asked to make cuts to offer up aspects of their spending that are most beneficial to other sections of the organisation. The above example of transferring current to capital costs to future running costs is a straightforward example of not considering whole organisational costs. It is, however, often more complex. Savings on school meal contracts by purchasing less healthy food are seen to have had an impact on the quality or cost of achieving a certain standard of educational achievement in schools. Buying goods that need to be transported a short distance by smaller lorries would have benefits in terms of reducing CO2 emissions, traffic congestion, pollution, the local environment and energy saving. Considering the whole system costs for the public sector though out Birmingham may be too complex but the more obvious and immediate transferred costs and benefits can be considered.

In all of these, whilst procurement should always be as sustainable as possible, procurement is only one tool that organisations should consider when seeking to achieve best value. Other options are discussed in the full report.

B. National policy

The policy context

The Sustainable Procurement Task Force (SPTF) was commissioned by National Government

The recommendations of the SPTF were:

- That Government should lead by example;
- Clear priorities should be set;
- Government should “Raise the Bar”, enforcing minimum standards, extending them to the rest of the public sector and developing further standards in priority areas;
- Capacity-building through training and education;
- Removal of barriers and the implementation of whole life costing, in particular through the introduction of means for measuring non-monetary benefits;

- Capture of opportunities for innovation and social benefits.

The building blocks for giving effect to these recommendations are:

- The Flexible Framework;
- Prioritisation of the spend: filter mechanism;
- Specialist tool-kits developed by a sustainable procurement delivery team, which will provide expert advice and support.

In March 2007 the Government published its response⁵ to the National Action Plan. The UK Government Sustainable Procurement Action Plan welcomed and endorsed the Action Plan. Responsibility for the delivery of the plan was identified as being headed by the Prime Minister and the Head of the Civil Service. New sets of public service agreements are to be set which reflect the principles of sustainable development. Greater emphasis is to be set on sustainability in budgeting and auditing process. This will include the ability of Departments to raise their case with the Treasury when affordability constrains them from choosing the most sustainable option.

Local Government and the Health Sector are due to be producing their response to the Sustainable Procurement National Action Plan latter in the year. In the meantime the Government have announced that there will be changes to the Comprehensive Performance Assessment this year to place greater emphasis on sustainable procurement and sustainability in general.

The overall tone of the Government's response heavily emphasises environmental sustainability and in particular reducing the carbon footprint. This follows on from the Stern Report⁶ on the economic costs of global warming and the economic benefits of acting now rather than later.

The last two to three years has seen a substantial growth in interest and support for sustainable procurement at a national level. As well as the work by DEFRA on producing the National Action Plan the Office of Government Commerce has taken a strong and supportive interest on sustainable procurement and has produced a range of policy papers and policy guidance supporting the social, economic and environmental benefits of sustainable procurement and of purchasing from and with the third sector and social enterprises. Value Wales have done substantial amount of work on developing policy and practice in Wales.⁷ Forum for the Future,⁸ The New Economics Foundation⁹ Joseph Rowntree Foundation¹⁰, Cooperatives UK,¹¹ and the Manufacturing Forum¹² have all funded or undertaken work on sustainable procurement. A number of local authorities such as the GLA, Warwickshire and Northumberland Councils have also undertaken innovative work.

It is settled national¹³ and local¹⁴ policy that the Voluntary and Community Sector has a significant role to play in the delivery of public sector services. This has been reflected in national procurement policy through documents published by the OGC.¹⁵

⁵ UK Government Sustainable Procurement Action Plan Incorporating the Government Response to the Report of the Sustainable Procurement Task Force 2007

⁶ Stern Review 2006 The Economics of Climate Change.

⁷ www.wlga.gov.uk See section on Value Wales for policy and good practice examples.

⁸ Forum for the Future 2006 An evaluation of Open Strategy: the Sustainable Procurement North West Pilot.

⁹ Justin Sacks (2005) Public Spending for Public Benefit. (NEF)

¹⁰ R Macfarlane and M Cook (2005) Achieving community benefits through contracts law. JRF.

¹¹ Mark Cook and David Alcock (2004) Proactive Procurement: Achieving quality services and implementing policy objectives by procurement from social enterprises. Anthony Collins Solicitors

¹² Mark Cook et al (2006) The Scope for Using Social Clauses in the UK Public Procurement Process to Benefit the UK Manufacturing Sector. A Report for the Manufacturing Forum. DTI

¹³ See *The Role of the Voluntary and Community Sector in Service Delivery: A Cross-Cutting Review*, HM Treasury, September 2002

¹⁴ See *Making the Relationship Work: Creating a Compact*, report of the Voluntary and Community Sector Commission, 2002 and *Birmingham's Compact*, January 2006.

¹⁵ Office of Government Commerce (2004) Think Smart Think Voluntary Sector. Good Practice Guidance on Procurement of Services from the Voluntary and Community Sector. And OGC Smaller Supplier Better Value?

For many, though, there are conflicts between adopting more sustainable procurement practices and the pressure for short-term savings linked to the Gershon Agenda. The reduction in the rate of growth of public expenditure to below the level of inflation announced in this year's budget is likely to further increase the pressure for short-term savings. However, a full reading of the Gershon report or approaches to financial planning other than very short-term crisis management should not see a conflict between efficiency savings and sustainable procurement. Indeed sustainable procurement should be seen as a valuable tool in achieving best value.

C. The legal framework

The law governing procurement and commissioning has been set out more fully elsewhere¹⁶. This section aims merely to outline the principles involved and a brief discussion of the issues of direct relevance to sustainable procurement decisions and practice.

The Starting Point

To state the obvious, organisations can only do what their constitution permits; in the case of public sector agencies, they can only operate within their statutory powers.

The local authority

Local authorities have an express power under section 2, Local Government Act 2000 to do what they consider likely to achieve the economic, social and/or environmental wellbeing of a locality of person within their area. This is a *power*, as opposed to a duty; moreover, it may only be exercised subject to any statutory enactments which may restrict them. These include a prohibition against including "non-commercial considerations" deliberations as to how to exercise this power¹⁷. In England, local authorities must demonstrate Best Value before taking into account employment and training issues in procurement contracts.

Best Value authorities, including local authorities, the police and the fire service, are all required by the Local Government Act of 1999 to "seek continuous improvement, having regard to Value for Money".

All of these considerations reinforce the need for local authorities, and other public sector organisations, to have clear policies containing a statement of the social, economic and environmental objectives of their procurement practice and how they consider that policy will enable them to meet their statutory obligations and achieve best value (which will in turn be contained in its Best Value Performance Plan and Community Strategy).

The health service

NHS powers reside mainly in the powers of the Health Secretary and are very widely drawn indeed by the National Health Service Act of 1977. In essence, those powers entail a duty to improve health (mental and physical) through provision of "appropriate services" by a comprehensive health services for the "prevention, diagnosis and treatment of illness".

The Department of Health 2004 White Paper, *Choosing Health*, linked unemployment and social exclusion with ill-health, thereby providing a policy basis for use of NHS resources to address unemployment and poverty, the business case being that to do so will reduce demand upon the health service.

¹⁶ See for example MacFarlane and Cook, *Achieving Community Benefits through Contracts*, Bristol, 2002; Cook and Alcock, *Proactive procurement*, October 2004; OGC, *Social Issues in Purchasing*, February 2006, Anthony Collins Solicitors, *The Scope for Using Social Clauses in UK Public Procurement to Benefit the UK Manufacturing Sector*, July 2006, Department for Communities and Local Government, *A Guide to Procuring Care and Support Services*

¹⁷ Meaning, broadly, terms and conditions of employment applied by their contractors, although that position (as set out in the Local Government Act 1988) was modified by the Local Government best Value Order (SI 909/2001) to allow private contractors to be required to take over the terms and conditions of employment of workers doing equivalent work to that which they had formerly carried out for the local authority.

Registered Social Landlords

In England, RSLs are supervised by the Housing Corporation, which sets standards of good practice and provides guidance¹⁸. The on going debate about whether RSLs should be defined as public sector organisations led to the UK Government agreeing in 2004 that they would comply with EU procurement regulations and the Housing Corporation requiring that they should comply.

Other public bodies

These include universities, primary care trusts, NHS trusts, further education corporations, the police, the fire service and many more; there are also a number of non-profit neighbourhood regeneration agencies working under government budgets such as the New Deal for Communities. Inevitably, procurement strategies will be governed by the purposes and objectives of the organisation.

Equal opportunities

Public authorities now have a positive duty to promote racial equality under the Race Relations (Amendment) Act 2000. It may be a core requirement of a contract, or it may arise as a condition of the contract, or as an “additional criterion”, or as a separate voluntary commitment following award of a contract. Contracting authorities are thus required to ensure that their contractors are able effectively to operate in a manner consistent with this duty.

EU Procurement Directives

These are given effect under UK law by means of Regulations¹⁹. They apply to all contracts for goods, services and construction works awarded by public sector organisations with a value **above a certain threshold**. That threshold is revised periodically, the last revision being the Public Contract Regulations which came into force on 31 January 2006²⁰.

There are two levels of application of the regulations, known as Part A and the lighter regime of Part B, which covers most services relating to health and social care (although determined on a case by case basis).

The main requirements are:

- Non-discriminatory specifications (Parts A and B);
- Competition through a tender advertised in the Official Journal of the European Union (OJEU) (Part A only, although Part B services should still be subject to some form of competition);
- Compliance with minimum timescales for suppliers to respond to advertisements, pre-qualification and checks (Part A only);
- provision of feedback to unsuccessful suppliers and issue of contract award notice within 30 days of award (Parts A and B).

The objective of these rules is to ensure non-discrimination, equality of opportunity and transparency; tenderers who feel that they have been unfairly treated are thus in a position to have recourse to the courts.

Legal approaches to social, economic and environmental benefits in procurement

The most effective way of achieving a social, environmental or economic benefit is to make it a **core purpose of the contract**. For example, a contract to produce windows might require that they be specified in an environmentally sound way, but the contract could also combine that objective with training for a

¹⁸ See the *Internal Audit Programme Guide* produced by the Housing Association Internal Audit Forum in 2006 and funded by the Housing Corporation’s Innovation and Good Practice Programme, for a detailed examination of procurement principles and practice in this area

¹⁹ The Public Works Contracts regulations 1991, the Public services Contracts regulations 1993 and the Public Supply Contracts Regulations 1995.

²⁰ The threshold is currently £144,371 for services and supplies contracts and £3,611,319 for works contracts.

specific group, say, unemployed people. The contract would be stated to be for both purposes, windows and training.

Both purposes would have to be within the contracting body's powers; if one were not, partnership working may present the solution. The same is true of delivery of the contract; one contractor may be in a position to contribute one objective, a second could bring the additional capacity required.

In contracts for sustainable procurement, one might expect that demonstrating *value for money* would not be difficult.

Discrimination must also be avoided; to specify local labour might amount to discrimination, and discrimination against ethnicities not represented there. Similarly, stipulation of locally-based products could be found to be discriminatory, whereas a requirement for "fresh food", for example, would not.

Securing a *voluntary commitment* from a contractor is a much less secure alternative, only enforceable through loss of credibility and reputation for future contracts.

Additional criteria may be used if it proves not to be feasible to incorporate sustainability into the core purpose of the contract. EU guidance requires that any such criteria should be specified in the OJEU notice, but they cannot form part of the award process. They may, however, become additional award criteria enabling a choice to be made between two otherwise equivalent bids, but only if included in the OJEU notice.

Overall, it is therefore essential that any contractual specification is in line with the powers and policies of the contracting body so that its inclusion can be justified as fair and non-discriminatory, and to meet the requirements of equal treatment and transparency.

Part B services and services valued below EU procurement thresholds

The European Commission has now published an Interpretative Communication²¹ to clarify the position on advertising in this type of contract. It states that the contracting authority should first decide whether the contract might be of interest to contractors based in other EU Member States. It must take into account the subject matter of the contract, its estimated value, sector practice and where the contract is to be delivered.

If contractors in other EU Member States could be interested, it must be advertised; if they are not likely to be interested, there is no need to do so.

Corporate Social Responsibility

Contracting authorities can adopt a policy of requiring companies to adopt their own policies in relation to sustainability. These are not enforceable, but have a reputational and cultural effect which may be effective in encouraging changes in practice.

²¹ This amounts to guidance, but should be followed because it would almost certainly be applied by the courts unless there were a very good reason not to do so.

2. Identifying when it is appropriate to use additional sustainability clauses in procurement contracts.

There are many different types of contract that can be produced and there are other approaches to achieving the wider benefits associated with sustainable procurement. The advantages and disadvantages of the different approaches are discussed in the full report.

There is no single approach that is right for every situation. The key is to choose the approach to achieve the best balance between costs and benefits.

In considering the issue there are a number of key questions that need to be asked.

Overarching Organisational aims

If something is an overarching aim can a standard clause be placed in every contract? At present this is done by most organisations for equal opportunities. We also recommend that it should also be done in relation to climate change impact.

Clarity

Are you clear what it is you want to achieve as an additional benefit to a contract? If not, use another approach.

Measurability

Do you know how to measure the benefit that you are seeking? If you cannot measure it then it cannot be enforced through a standard contract. Think laterally though. It may not be possible to measure or specify precisely what you want, but there may be other measures that will help achieve the benefits that you want. You might for instance want to minimise the embedded energy in a product. Where products have similar energy inputs into their overall production minimising the distance the finished goods travel may be a good proxy indicator. It is also one that tends to favour local producers which may bring added regeneration benefits.

Complexity

Will it make the contract too complex? Adding clauses to contracts adds complexity. The more complex the contract the more difficult it is to get the specification right, the more difficult it will be to manage and the more difficult it will be for potential contractors.

How to keep it manageable

- Prioritisation and policy; be clear what you want to achieve
- Use management and other tools to aid decision making
- Build on existing successes.
- Invest in hearts and minds and keeping all users on board.
- Build in the potential for flexibility when needed and use thresholds for different sizes of contracts and how much consideration is given to them.
- Only use sustainable procurement clauses where they are the best approach
- Audit and continue to audit the added value of those involved and when appropriate change who is involved in the structures.

Consider the supplier

What will be the impact on suppliers? Unnecessarily complex tender requirements will not only increase the costs (but not the benefits) but also deter some potential suppliers from bidding at all. Large aggregated contracts will be biased in favour of large suppliers and against SMEs. In some cases the size of contract will in itself ensure that the contract goes outside Birmingham. Other aspects may be biased against small firms, e.g. levels of insurance required, forms of accreditation such as Investors In People. Some will discriminate against start-up firms such as having to provide three years' accounts.

Review existing contract clauses to ensure they add value for money in all the situations they are used. Often they may be relevant to some contracts but not others

Cost

Can you identify the long-term costs and benefits to the organisation as a whole and to the different parts of it? The pressure for immediate cost saving on specific budgets was seen as a barrier to greater use of sustainable procurement. However even against this sort of background there are examples of more sustainable approaches to procurement producing financial savings and added benefits. (See examples from BCC Urban Design Group above)

The basic tip in relation to costs is to have a systematic approach to assessing the costs and benefits of using sustainable procurement clauses in contracts in comparison to not using them or adopting other approaches to achieving the same aims.

The real issue should be about how far is a particular sustainable procurement clause within a contract value for money and how is that value demonstrated, paid and accounted for. There are examples of organisations having budgets to pay the extra upfront costs for whole-life savings and for benefits that go wider than the immediate budget holder.

From this perspective sustainable procurement approaches need to demonstrate that they are achieving value for money. At a general policy level tools such as LM3 and any of the existing case studies may be useful to demonstrate that, but the real test should be in relation to specific contracts and clauses.

Scale of Contract

There is a trend towards aggregating contracts into a smaller number of bigger contracts. When considering larger contracts it is useful to consider the advantages and disadvantages of aggregating.

The advantages are seen as:

- Achieving greater economies of scale
- Being cheaper to administer, let and manage
- Giving more leverage with suppliers
- Making better use of technical and professional expertise
- Attracting more and better bidders.

The trend is not only to aggregate contracts within organisations but between consortia of organisations at a national or regional level.

Against this must be set potential disadvantages such as:

- Contracts may be so large as to exclude smaller suppliers (including third sector ones) which may provide better value for money
- Very large contracts may limit the suppliers to only very few companies who are large enough to handle the contracts and may even allow the chosen supplier to develop a monopolistic position
- If aggregation takes contracts above certain threshold sizes they will require greater cost and delays in letting of the contracts
- Greater standardisation in large contracts making the products purchased less effective for those who need to use the goods or services purchased. This causes greater inefficiencies elsewhere in the organisation.
- Different partners may have different standards in relation to sustainability for example, which could result in some either having to adopt lower standards or have additional negotiations with potential contractors. Different partners may also have different timescales for when they want contracts let.

Again think through what it is you are seeking to achieve. Some contracts will already be at the limits where there are any benefits to be gained from economies of scale and the challenge for them is to ensure that the goods and services purchased are sensitive enough to the range of needs of end users.

Sustainable procurement is about achieving more from contracts.

3. Adopting appropriate decision-making systems

Given the potential complexity and the range of potential interests involved in some procurement contracts it is essential that there is a structured approach to decision-making.

Decision-making structures should reflect the size and nature of the organisation and the scale, and complexity of the potential contract. Small straightforward contracts require a simple straightforward approach

However large innovative contracts where consideration is being given to achieving wider organisational aims require a structured approach to decision making. The full report provides examples of such approaches and suggest a 'gateway' model that organisations can adapt to meet their own requirements.

Smaller organisations may only require a very limited number of people to be involved (unless they bring in outside help). This should help simplify the approach and possibly just require the use of a form to act as an aid to ensuring that all the relevant aspects are considered. Larger organisations are likely to involve a greater range of individuals and thus need greater clarity in ensuring that the right people get the input at the right time.

While we consider that organisations need to develop their own decision-making systems that reflect their organisational needs and management structures, we do consider that all organisations need to build in a sustainability challenge within their procurement decision-making structures.

4. Creating organisational buy-in

Real change will require buy-in throughout the ‘procurement chains’. Real buy-in requires a combination of winning hearts and minds, providing incentives, and having the right policies and performance management structures. For small organisations this requires few people to accept and practice sustainable procurement. Large organisations have a much more difficult task to embed change.

Senior managers are faced with a huge range of demands on their time and attention. For those in the public sector there is a constant stream of Government initiatives to be responded to. To be committed to something new they need to be convinced that:

- it is worthwhile in itself
- they have the resources within their organisation to deliver something worthwhile,
- the government is serious in its commitment to sustainable procurement, and
- it is agreed by the senior governance body for the organisation.

The commitment of senior managers is crucial but it is not sufficient, buy in needs to be spread throughout the procurement chains.

This requires:

- Winning of hearts and minds to the purpose of the approach, including through interactive training.
- Understanding the legitimate aims of all those involved and ensuring that they are respected and built into the systems.
- Providing the right culture, incentives and management structures.
- Providing the right budgeting approaches
- Delivering the goods that end users need as well as the additional benefits.

Other possible ways of building commitment include:

- Use the Flexible Framework from the National Action Plan to audit, plan and monitor organisational progress.
- “Spend to save” budgets: corporate budgets which provide funding to pay additional up-front costs for longer term savings or for savings on other budgets.
- Monitoring costs and benefits across budgets (LAAs should provide a precedent)
- Reviews of major contracts which require them to show the impact of specifics of the contract on other budgets and services. (BCC are developing a requirement for capital contracts to show how the revenue implications will be met.)
- Developing accounting procedures that look across budgets.
- Building service deliverers and users into the procurement process.
- Involving staff with cross cutting remits (e.g. sustainability and regeneration) into relevant procurement decisions.
- Using a corporate group to review existing procedures and standard clauses from a sustainability viewpoint.
- Undertaking interactive training with budget holders and end users. Rather than using training to tell staff the procurement procedures that they must adopt – use the training opportunity to examine the procurement preferences of the budget holders and users and get them to examine ways in which they can contribute more to sustainability through their spending.
- Provide internal recognition and awards for sustainable procurement approaches.

Training

Current training around sustainable procurement tends to be targeted at procurement professionals, while procurement training for other staff involved in the process tends to be focused on instilling an understanding of the organisation’s procurement practices and rules. To achieve “buy in” through training it

needs to involve staff in understanding the purposes of sustainable procurement and how they can work so that the procurement practices help them meet their immediate needs and targets as well as achieving the wider aims of sustainable procurement. The main report provides more information on training that is available but we also consider there is a need for many of the organisations to develop their own interactive training for their staff and to use it to help ensure that the procurement process meets the needs of the end users.

5. Access to high quality knowledge and technical input – internal and external

Effective procurement involves balancing a wide range of inputs and interests. These involve

- The needs of the end users of the product,
- Technical and legal skills about the procurement process, an understanding of the products available (e.g. which will best deliver what is wanted on sustainability, equal opportunities, regeneration, and of course the basic aim of the project),
- Knowledge of how to measure and account for the benefits sought (now and over the full lifetime)
- Knowledge of how the benefits will impact across the system.
- Knowledge of suppliers, their market place and how it is changing.

In some cases it will be fairly simple. Most paperclips are the same and will meet the end users requirements. Even in this simple case there are differences between products and the impact of their distribution. However, the differences between the effectiveness and social, environmental and economic impact of the product is unlikely to justify a complex and time consuming decision-making process.

However for something larger in financial scale, more complex or innovative there will be a need for a much wider input of knowledge and perspectives.

These types of knowledge will include:

- 1 The detailed requirements of end users and customers
- 2 The realistic capabilities of suppliers
- 3 How various products perform
- 4 The market for the potential suppliers
- 5 Techniques for measuring social, environmental and economic impact
- 6 Knowledge of procurement legislation and practice.

Small organisations are generally unlikely to have their own technical expertise about a wide range of product performance, or how markets work overall and may lack their own expertise in procurement legislation and practice. They are however likely to be closer to the end user and customer and may have good knowledge of the suppliers they most regularly use or of local firms.

In the more routine procurement activities this may not be a problem. However where they wish to procure something that is highly innovative for them or take a more sustainable approach to procurement they may need to access the additional information input. In seeking to do this they have a number of options.

- 1) Purchase professional support.
- 2) Investigate existing good practice and copy that. (The main report provides sources of information)
- 3) Use existing measurement techniques such as carbon footprinting.
- 4) Use existing standards such as ISO 1401 as an indicator for whether the product is sustainable.
- 5) Link with a BSP partner to make use of their expertise formally or informally. The main report and the sustainable procurement egroup will help with this.

The largest BSP organisations will normally have the necessary skills and knowledge within the organisation. For them the challenge is to identify which are the most important inputs for a particular decision, with whom those skills lie, and how best to involve them in the appropriate decisions. This requires clear decision-making structures. The main report provides examples of these and a suggested model of a gateway to help ensure the right approach is taken.

Procurement Partnerships

These are currently seen as effective ways of achieving economies of scale through standardised larger contracts. (See above for the advantages and disadvantages of large contracts.)

The greatest advantage would seem to be to smaller organisations which potentially have most to gain from access to bulk purchasing power and the various forms of technical expertise. However they need to balance this against the loss of their own flexibility through complying with the requirements of the larger partnership.

The larger the organisation the less they have to potentially gain from being part of larger more standardised contracts. However the more they are likely to have to offer in terms of bulk buying power and in house expertise.

Again it is a matter of balance with organisations needing to decide what is the best approach for them in their current circumstances and in relation to what any particular partnership or consortium has to offer them.

The idea of smaller BSP partner organisations being able to partner with larger BSP partners to enable them to gain from economies of scale was popular. We believe that it has considerable potential. However for the large organisations they may need to consider the benefits of their involvement being about achieving wider system aims such as supporting BSP partners or promoting, economic development, social capital or environmental sustainability through out the city of Birmingham. Joint development work on developing contract clauses and measuring the impact of different goods and approaches is also has significant beneficial value to BSP members.

6. Developing the appropriate policy frameworks

The different BSP partners have different primary organisational aims and they need their own policies to reflect this.

There are however also a number of areas of common interest. One of these is supporting environmental sustainability. It is our view that there are considerable benefits for all the BSP partner organisations from developing a joint core environmental sustainability compact that is a requirement for all contracts with BSP members. The BSP is responsible for producing a number of core policies for the city. These include the Community and the Climate Change Strategies and Local Area Agreements. Sustainable procurement is already part of the debate in the review of these policies and those seeking to promote sustainable procurement should seek to input into these current debates. Policy makers should also be seeking the views of those with practical experience of delivering sustainable procurement.

It is clear that organisations will be on much stronger ground to justify any additional procurement requirements if they have a clear policy to support what they are requiring.

We recognised however that in a number of cases innovative and effective practice has been developed without there being clear organisational policy justification for the approach taken. We would not therefore argue that an organisation should never innovate outside of its current clear policies. However this should be the exception rather than the norm. Also if such practice does not then influence policy it is far less likely to be replicated and is in danger of leaving the good practice as an isolated example that is lost when that particular social entrepreneur changes roles.

Given the current national support for sustainable procurement it is highly likely that policy makers in BSP partner organisations will be considering the issue in current reviews of policies. It is vital that those involved in good practice communicate with organisational policy makers and reviews to seek to get their approaches understood and reflected into policies.

Prioritisation

Sustainable procurement can be complex and resource intensive in developing new contract approaches. We strongly recommend that BSP partners prioritise their specific areas for action. The National Sustainable Procurement Action Plan provides one approach to prioritising spend areas for action based around scale and potential impacts. In the fuller report we also discuss other aspects that organisations may want to include in considering their priorities for developing approaches to sustainable procurement.

Practical ways forward and the role of the BSP

Participants in the workshops and respondents to the questionnaire raised the following points:

- Raise the debate and help build commitment
- Identify senior champions in all organisations
- Produce and adopt a sustainable procurement compact for BSP partners
- Commission region wide training programmes
- Help organisations to collaborate
- Support networking
- Develop a toolkit with local case studies
- Set up a central budget to support sustainable procurement
- Provide an additional short-term support to keep the momentum.

This report contains a huge range of material, reasoning, tips and recommendations. There are actions that the BSP can carry forward without extra capacity – see recommendations listed in the summary at the beginning of this report. As outlined in the Birmingham Context section, the BSP is perfectly placed, in terms of the breadth of objectives of its partners and its positioning with regard to various funding streams, to coordinate work on ensuring that procurement can be used to improve social, environmental and local economic wellbeing.

However, to effect the comprehensive approach outlined in our full set of recommendations, and given that lack of capacity is one of the major barriers to taking this work forward, options for BSP-wide support on sustainable procurement could be considered. It is likely that a business case can be made for such support on the grounds of the value added and the medium- to long-term savings made in procurement.

Below is a summary of the future support work that LWM conclude, from our work, would be of benefit to BSP partner organisations. This could take the form of a sustainable procurement champion post within the BSP, or an external organisation-based consultancy contract, or a combination of the two.

Support would be of benefit in the following areas:

Policy

Producing a SP “compact” for BSP partners

Using a similar model to that adopted by the Greater London Authority; the aim being to coordinate SP policy across organisations, broaden understanding, and to provide a basis for those of individual organisations.

Coordinating work on BSP policies

Production of relevant indicators and targets for Local Area Agreements on SP.

Coordinating sustainable procurement elements of Community Strategy

Shaping and then carrying out actions identified in Climate Change Strategy.

Individual organisations’ policies

To help organisations to develop SP policies aligned with their differing organisational objectives, scale and purchasing arrangements.

Communicating the local authority experience (e.g. of policy conflict) to national and European government (DEFRA/OGC/Europe)

The National Task Force, LWM and others have identified areas of national and European policy conflict where improvements could be suggested to central Government. LWM in particular would bring practical experience in implementing SP at the local level to this discussion.

Getting key messages to senior management

Short one-to-one meetings with key senior managers (probably Chief Executives) to more fully explain the advantages of sustainable procurement for their organisation.

Practice

Individual organisations' action plans

Developing quick-win initiatives in line with NTF prioritisation methodology and other inputs; development of joint working projects.

Support individual partners on developing tools that are appropriate for them, such as spend-to-save funds, carbon footprinting tools, performance indicators gateway models, the incorporation of sustainability into HR procedures as with equal opportunities, and whole life costing.

Joint Procurement activity amongst BSP partners.

Undertake feasibility studies into;

- joint contracts or joint use of expertise in specifying contracts
- joint analysis of supply chains and market requirements
- future procurement needs
- joint development of indicators and contract clauses.

Support to develop joint work that is agreed by partners as feasible.

Coordinating network

Participants at the workshop requested an egroup be set up for easier communication on SP issues. LWM has set up this group but it will require ongoing facilitation and management of the information flow to get the best use out of it. Another request was occasional meetings of those with an interest in SP - perhaps every six months – which again would need coordination.

Access to management/measuring tools

Researching and/or developing carbon and ecological footprinting, decision-making tools and indicators for procurement, for use by BSP partner organisations

Develop variations to NTF tools (Flexible Framework and checklist relevance to local partners) for specific application by LSP partners as required.

Support from DEFRA:

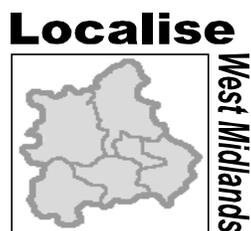
Advice and funding for pilot work should be sought from DEFRA on:

- Use/adaptation of the Flexible Framework for local strategic partnerships and local authorities;
- training for senior management;
- communication of local authority experience to national Government.

Recommendations

Sustainable Procurement Recommendations for action
1 BSP and individual partners to develop sustainable procurement <i>policies</i> . For BSP these should feed into the Community Strategy, Climate Change Strategy and Local Area Agreements. <ul style="list-style-type: none"> • Joint policy statement for LLA and Community strategy • there is the potential for a joint BSP sustainable procurement compact. • Individual partners to develop their own additional polices to reflect their organisational aims
• Identify key senior managers with responsibility and link to BSP.
2 Build Organisational awareness and commitment to Sustainable Procurement
<ul style="list-style-type: none"> • Key messages for all senior managers <ul style="list-style-type: none"> - 1-1 short meetings with key senior manager - LWM presentation to BSP board; using report summary • Development and adoption of relevant KPIs which are reported to the responsible senior manager. Linked to top down targets. • Annual progress report by partners to BSP • Targeted sustainable procurement training for procurement staff, legal, finance, and budget holders. • Identify and support those with the appropriate skills and commitment in partner organisations to work with senior managers and consultants to drive the process forward. • Include sustainability into job descriptions and performance reviews. • Use the National Sustainable Procurement Plan Flexible Framework to identify organisational progress.
3. Build networks to share knowledge and development work.
<ul style="list-style-type: none"> • Initiate egroup of those who have been involved in this project. • Continue with 6 monthly forum meetings of those who have been involved in this project. • Identify further sustainable procurement champions to join the forum and egroup. • Initiate ‘buddy’ systems for those within and between organisations who have particular expertise and those developing projects that require that expertise. • Map the actors and relationships. This is more important for the larger more complex organisations to identify who is and who should be involved in sustainable procurement. In addition to providing a directory for people to contact it will also provide information on who should be targeted for training and to be additional members of the forum and e-group. • Review who is involved in sustainable procurement processes and training. Identify what is the added value of those involved in decision-making bring and link there involvement to their value. • Identify those whose hearts and minds need to be won and devise and deliver appropriate interactive training. • Identify and publicise areas of good practice and expertise within Birmingham - eg BCC Urban Design team on sustainable construction. • Support ongoing communication around developing good practice. • Identify areas for joint work that will benefit all partners and agree leads. Eg joint development of policy, standard clauses, targets, market analysis, future purchasing requirements and indicators.
4. Use the potential for joint benefits where appropriate, and the potential for smaller scale procurement where appropriate
<ul style="list-style-type: none"> • Undertake feasibility studies into specific joint working between BSP partners. • Develop and initiate agreed pilots • Consider piloting the inclusion of smaller organisations in the energy contracts of major organisations. Eg BVSC and city council. • Market analysis: major spending organisations with interest in econ devt to identify future growth areas for spend and existing areas where there are supply problems and link to support for local business development, and developing forward investment intelligence.
BCC with Chamber and BSSEC to take the lead on developing suppliers. (see also no 10)
5. Use whole-life costing and whole-system costing when measuring costs and benefits
<ul style="list-style-type: none"> • Integrate whole-life costing in procurement processes • Initially give consideration to whether the way the contract is drawn up potentially provides costs or

benefits to other parts of the organisation
<ul style="list-style-type: none"> • Develop corporate budgets and/or decision group to consider how costs or benefits not attributable to the specific budget holder are attributed.
<ul style="list-style-type: none"> • Find/develop and adopt tools for carbon footprinting in procurement
<ul style="list-style-type: none"> • Ensure spend-to-save mechanisms/funds are available to allow whole-life and whole-system costing to be taken into account.
<ul style="list-style-type: none"> • Ensure procuring/end user staff are empowered to raise issue with senior budget-holders if upfront costs prevent sustainable procurement
<ul style="list-style-type: none"> • Enact task force recommendation for departments/LAs to approach central govt if upfront costs STILL prevent sustainable procurement
6a. Include environmental implications as a standard measure to be considered in all contracts
<ul style="list-style-type: none"> • Use KPIs identified under recommendation 2: eg embedded energy; biodiversity; ISO approval, etc
6b. Develop standard social costs/ benefits to be included in all contracts (All contracts will already include equal opportunities social clauses)
<ul style="list-style-type: none"> • Use a gateway model to consider other social benefits (than equal ops).
<ul style="list-style-type: none"> • Each organisation should develop policies which require contracts to consider achieving benefits that relate to their prime aims. Eg Police and community safety, B:CEN and resident engagement.
<ul style="list-style-type: none"> • Develop and test ways of measuring social benefits. Role for universities, BSSEC, ISE.
6c. Develop indicators/clauses that reflect local economic benefits as standard parts of contracts where applicable
<ul style="list-style-type: none"> • Organisations with key economic development and regeneration aims should develop clauses or ways of using to influence achieving local economic benefits into contracts (eg size and accessibility of contracts; embedded energy; freshness of food; immediate delivery times)
<ul style="list-style-type: none"> • Consider the use of embedded energy as an indicator to support local economic benefits.
7. Use influence and other approaches to change supplier behaviour
- Scale of public procurement at £6bn provides huge market influence
<ul style="list-style-type: none"> • Use partnership arrangements (ie to gain benefits from long-term relationships)
<ul style="list-style-type: none"> • BSP to take a leadership role in promoting message to suppliers
<ul style="list-style-type: none"> • Develop exemplar projects and publicise.
<ul style="list-style-type: none"> • Provide awards for sustainable suppliers
<ul style="list-style-type: none"> • Provide forward information on growth areas of spend and areas of supply difficulties; ie to enable suppliers to capture new markets
<ul style="list-style-type: none"> • Support training and business development for potential local suppliers in the areas identified above
<ul style="list-style-type: none"> • Provision and funding for R&D to enable suppliers to develop appropriate new projects
8. Keep it simple
<ul style="list-style-type: none"> • Sustainable procurement can become excessively complex. Whilst sustainability criteria should generally be built into all procurement processes as standard, organisations should not attempt specific benefits through procurement where simpler methods of achieving those benefits can be used, or where it will not provide value for money, or where the benefits and costs are too difficult to measure.
<ul style="list-style-type: none"> • Use a 'gateway' model to assist in deciding when to seek wider social economic and environmental benefits through specific procurement contracts.
<ul style="list-style-type: none"> • Review and alter existing contract clauses rather than adding new ones
<ul style="list-style-type: none"> • Review contract sizes
9. Make a start
* Organisations should identify priority areas for their action linked to: risk analysis, their primary aims, and spend areas where they can make the biggest impact.
10 Lobby central government and EC to make local sourcing easier
Identify key issues
Discuss with DEFRA, EC based twin towns and produce case for joint lobby to EC



Local economic solutions for sustainability

About Localise West Midlands

Localise West Midlands is a not-for-profit organisation which exists to promote the environmental, social and economic benefits of:

- Local trading, using local businesses, materials and supply chains
- Linking local needs to local resources
- Development of community and local capacity
- Decentralisation of appropriate democratic and economic power
- Provision of services tailored to meet local needs.

This localisation approach makes economic development and government systems more sensitive to local autonomy, culture, wellbeing and the responsible use of finite resources, and is growing in popularity with people and organisations all over the world.

Localisation helps build social capital, targets regeneration to meet local needs, maximises local job creation, and reduces transport and CO₂ emissions.

To promote this approach across the region, LWM:

- Brings people together with a common interest in localisation
- Provides and publicise information, ideas and examples of good practice
- Facilitates or undertake demonstration projects
- Provides consultancy and other support to groups who are developing localist approaches
- Creates supportive networks for localist action
- Challenges the barriers to localisation
- Links with similar projects outside the region and worldwide.

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