

local government sustainable procurement strategy

Incorporating the Local Government Response to the Report of the Sustainable Procurement Task Force and to the UK Government Sustainable Procurement Action Plan



Local Government Sustainable Procurement Strategy

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November 2007

Foreword – Councillor Paul Bettison

Local government spends more than £40 billion each year undertaking capital projects and buying in goods and services. Increasingly, we are making these spending decisions in a sustainable way and many local authorities are adopting “green” procurement policies.

The sustainable procurement strategy takes our commitment a significant step forward, outlining local government’s commitment to make its spending decisions in a way that achieves both value for money on a whole life cycle basis, and the wider economic, social and environmental benefits.

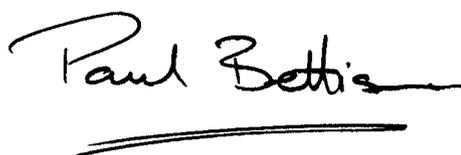
Many local authorities are leading the way in ensuring that natural resources are used efficiently, waste is avoided and that we protect our biodiversity. Our spending decisions are an important instrument in tackling climate change both by reducing carbon emissions and ensuring that our buildings and infrastructure are resilient to climate change. ‘*Securing the Future*’ - the UK Sustainable Development Strategy, and our response, highlight how making the right choices now will contribute both to our standard of living and our quality of life.

The strategy sets out how we can do more. I welcome the work that is underway, and will take place in the future, to ensure we make the most of the opportunities for sustainable procurement. Effective knowledge sharing and support from national and regional organisations and collaborative procurement will help to drive sustainability improvements. Sharing success and driving up standards is important too. We must encourage suppliers to improve standards, and to offer us innovative solutions.

I am grateful to Roger Latham, Chief Executive of Nottinghamshire County Council, Lee Digings of the IDEA and David Wright of the North East Regional Centre of Excellence for preparing this report and to all those who participated in the consultation and contributed to an excellent strategy.

I urge all local authorities to give careful consideration to these commitments and explore how they can procure on a more sustainable basis. Councils are in the frontline in the fight for a better environment and everyone needs to be doing their bit to make sure that we are acting in a green way.

Signed

A handwritten signature in black ink that reads "Paul Bettison". The signature is written in a cursive style and is underlined with a thick black horizontal line.

Councillor Paul Bettison, Chairman of the Local Government Association
Environment Board

Executive summary

“Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment.” *Procuring the Future* (Sustainable Procurement Task Force, June 2006).

Councils in England spend over £40 billion each year undertaking capital projects and buying in goods and services. Across the public sector as a whole the figure is closer to £150 billion. There is a compelling business case for making this procurement spend more “sustainable”.

This local government strategy has been drawn up in response to the recommendations of the Sustainable Procurement Taskforce delivered in June 2006 and in the light of the Government response and national action plan published in March 2007. It sets out local government’s strategic intent.

Following further consultation with local government and its partners, the strategy will be complemented by an implementation route map developed in conjunction with the Local Government Association which will describe the actions which need to be taken to realise the intent set out here.

The national goal is for the UK to become a leader in the EU on sustainable procurement by 2009. On the journey from shared ambition to achievement on the ground local government’s strategic intent is as follows.

Each council and local strategic partnership

- A. Councils, working with local partners, will pursue the achievement of social, economic and environmental benefits through the Sustainable Community Strategy, Local Strategic Partnership and Local Area Agreement. This will include collaboration to make best use of the purchasing power of the partners.
- B. We will award contracts on the basis of whole life costs and benefits wherever possible.
- C. By June 2008 we will carry out a short review and, where necessary, reset our strategies, policies, priorities and targets for sustainable procurement and asset management against the *Flexible Framework* and we will measure progress through the council’s performance management system.
- D. We will encourage ownership of our commitment by the political and managerial leadership of the council and engage scrutiny in the search for more sustainable solutions.

- E. We will secure appropriate training and development for councillors, senior managers, procurement, asset management and other professionals, and service managers.
- F. We will mainstream sustainable procurement and asset management into all of our activities including those carried out at arm's length and through strategic partnerships.

The sector acting collectively

- G. We will prioritise action on construction and facilities management - the largest category of procurement expenditure in the sector – followed by social care, waste management, energy, transport and food.
- H. We will work closely with colleagues in the health sector on this agenda, particularly in the shared priority area of social care, and with schools.
- I. We will collaborate locally, regionally and nationally, using our purchasing power to transform these key markets, including the stimulation of innovation.
- J. We will work together to agree a clear set of standards for the sector linked to corresponding standards under development for the rest of the public sector.
- K. We will identify exemplars of good practice (against the *Flexible Framework*) and challenge ourselves to raise our own performance.

Leadership and support to implementation

- L. The National Improvement and Efficiency Strategy will mobilise sector resources for leadership, support and challenge across the whole improvement and efficiency agenda.
- M. We will expect Government to put enablers in place in a timely manner to help us achieve our shared ambition in this area.
- N. CIPFA, together with LGTF and 4ps, will review guidance for local government, including budgeting, investment appraisal and tender evaluation, with regard to the consideration of whole life costs and benefits.
- O. LGTF will play a leading role on sustainability in the construction and facilities management priority area together with 4ps.
- P. 4ps will examine how the focus on sustainability within the local government gateway review process can be enhanced.

- Q. IDeA will develop the national programme on third sector commissioning and its work on equalities issues in procurement as an integral part of the sustainable procurement agenda.

Introduction

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

Procuring the Future (Sustainable Procurement Task Force, June 2006)

Councils in England spend approaching £40 billion each year undertaking capital projects and buying in goods and services. Across the public sector as a whole the figure is closer to £150 billion.

There is a compelling business case for making this procurement spend more “sustainable” -

- First, there are financial benefits for the council. Savings can be realised through the design and construction of buildings with lower through-life operating costs, better management of demand (including re-use, recycling and standardisation) and the acquisition of products that are more efficient in their use of energy, water and material resources.
- The environmental imperative is clear, particularly the need to reduce CO2 emissions and the amount of waste going to landfill.
- Socio-economic benefits range from the creation of employment and training opportunities for the long-term unemployed and people with disabilities to the elimination of child labour.
- Through better coordination of demand across local government and the wider public sector, and engagement of key suppliers at a strategic level, public purchasing power can be harnessed to stimulate product and process innovations that deliver improved environmental performance and further savings.
- Intelligent public procurement can also capture innovation from small businesses (SMEs) and third sector organisations (TSOs) while realising wider benefits for local communities. This includes the engagement of SMEs and smaller TSOs in consortium arrangements and in the supply chains for major projects.

This strategy is intended to provide a clear steer to councils seeking to respond to the challenge of sustainable procurement.

Following a further round of consultation a more detailed implementation “route map” will be launched. This will be developed in conjunction with the LGA.

A complementary volume of case studies, gathered during our work, will be also be published. These case studies illustrates the wealth of good practice which already exists in the local government sector.

How this strategy came about

The strategy has been drawn up in response to the recommendations of the Sustainable Procurement Taskforce (chaired by Sir Neville Simms)¹ delivered in June 2006 and in the light of the Government response and national action plan published in March 2007².

It was prepared by a task group chaired by Roger Latham, Chief Executive of Nottinghamshire County Council. During June and July 2007 it was the subject of wide consultation throughout local government, including all Chief Executives in England, and with key stakeholders.

The task group, which met between February and May 2007, comprised senior colleagues from councils in each of the nine English regions together with representatives from professional bodies and other organisations active in the priority areas identified in the Simms Report.

The work of the group was supported by the Regional Centres of Excellence (North East lead) and by the Improvement and Development Agency (IDeA).

The task group expresses its gratitude to everyone who provided input whether through events, case study materials or feedback on the consultation draft.

The national agenda

The Sustainable Procurement Task Force

The independent, business-led Sustainable Procurement Task Force (SPTF), chaired by Sir Neville Simms, published its report, ***Procuring the Future***, in June 2006.

The Task Force was commissioned by DEFRA and HM Treasury to devise a national action plan to deliver the UK Sustainable Development Strategy

¹ *Procuring the Future. Sustainable Procurement National Action Plan: Recommendations from the Sustainable Procurement Task Force*, DEFRA, June 2006.

² *UK Government Sustainable Procurement Action Plan Incorporating the Government Response to the Report of the Sustainable Procurement Taskforce*, HM Government, March 2007.

(*Securing the Future*, 2005) goal of making the UK a leader in the European Union on sustainable procurement by 2009.

The report set out recommendations designed to influence the £150 billion annual public sector procurement spend.

The Task Force's recommendations, which are addressed to Government and the wider public sector, including local government, are grouped under the following six headings:

1. Lead by example. Make sustainable procurement a leadership priority and clarify ownership within government

2. Set clear priorities. Streamline the framework and provide clarity on policy priorities.

3. Raise the bar. Meet minimum standards now and set demanding goals for the future.

4. Build capacity. Develop capabilities to deliver sustainable procurement.

5. Remove barriers. Ensure budgetary mechanisms enable and support sustainable procurement.

6. Capture opportunities. Smarter engagement with the market to stimulate innovation.

The Task Force's recommendations are set out in detail in **Table 1** below together with the proposed local government response.

The reference to "standards" in recommendation 3 is important. It includes standards such as BREEAM, which is used for the environmental assessment of building projects, and the standards of environmental performance for commodities that underpin the list of Quick Wins published by OGC buying solutions and DEFRA.

In central government compliance with these standards is intended to be mandatory. The Task Force found that practice on the ground varies and that standards are not being used sufficiently to drive market transformation. Industry is not stimulated to innovate and this in turn impacts on the global **competitiveness of UK business**. The National Audit Office's report *Building for the Future: Sustainable Construction and Refurbishment on the Government Estate* contains similar messages.

To underpin the actions, the Sustainable Procurement Task Force proposed that three "building blocks" should be put in place:

1. The **Flexible Framework** (a maturity model with five levels). This tool is intended to guide public sector leaders in the actions required to make sustainable procurement happen.

The Flexible Framework enables each public sector organisation to assess the quality of its procurement activity and provides a route map to better performance.

2. **Prioritisation methodology.** The Task Force identified the need for a filter mechanism to determine policy priorities. For this purpose it developed a methodology which helps identify the areas of spend where attention should be focused. By applying this methodology at national level the Task Force identified 10 areas of spend for action nationally.

The Task Force recommended the use of this prioritisation tool by each public sector organisation to prioritise actions locally.

3. **Toolkits.** It was suggested that the Government identify an owner for a “sustainable procurement delivery team” which would develop specialist toolkits and provide expert advice and support.

The tools and support would be made available to all public sector organisations.

The **Flexible Framework** is reproduced in **Table 2** below.

The **10 priority spend categories** at national level identified by the Task Force are:

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

Table 1

Procuring the Future – the SPTF Report

SPTF recommendation	LG response
<p>1. Lead by example. Make sustainable procurement a leadership priority and clarify ownership within government</p>	<p>Councils share the view that strong leadership is required for this agenda to succeed.</p>
<p>A1.1 Government must provide clear policy leadership from the top on sustainable procurement – from Prime Minister, reflected through Permanent Secretary/CEO performance contracts and incentives.</p>	<p>Within the local government system local leadership must come from within councils themselves. Success will depend on the political and managerial leadership of the council making a commitment to this agenda including its implementation through the council’s performance management framework.</p>
<p>A1.2 Government must make sustainable procurement an integral part of public sector procurement, owned by OGC and resourced to help public sector buyers to deliver.</p>	<p>Increasingly, councils are playing a leadership role across local public services. This trend will continue as Local Strategic Partnerships (LSPs) develop and the role of Local Area Agreements (LAAs) changes. Sustainability will have a higher profile in the community strategy.</p>
<p>A1.3 Public sector organisations must make clear that they are auditing for long-term value for money and thus for sustainability. Managers must be held to account for failure to meet minimum standards.</p>	<p>However, the leadership challenge faced by councils should not be underestimated, The commitment to sustainability has to be balanced with the demands of the VFM agenda and budget pressures, which will intensify under the settlement announced as part of Comprehensive Spending Review 2007, while the transformation of services to the public places additional demands on resources.</p>
<p>A1.4 Government must include clear and measurable targets on sustainable procurement in the revised framework for sustainable development on the government estate.</p>	<p>However, the leadership challenge faced by councils should not be underestimated, The commitment to sustainability has to be balanced with the demands of the VFM agenda and budget pressures, which will intensify under the settlement announced as part of Comprehensive Spending Review 2007, while the transformation of services to the public places additional demands on resources.</p>

SPTF recommendation	LG response
<p>A1.5 All public sector organisations must link incentives to organisational capacity and to delivery in priority areas and these must be cascaded through their performance management systems.</p>	<p>Regional improvement and Efficiency Partnerships (RIEPS) and the local government central bodies, including 4ps, can act as catalysts for change and can provide support, as can the Local Government Taskforce (LGTF) in the construction priority area.</p> <p>The emphasis on long-term value for money is important. In our environment CIPFA establishes the accounting rules and issues professional guidance on issues such as audit and investment appraisal. The Audit Commission assesses council performance (currently CPA) including scoring councils' "use of resources". The key lines of enquiry supporting that judgement (and other assessments) play a critical role. The view taken by internal and external auditors is also determined to a large extent by the Audit Commission's stance.</p> <p>The Local Government White Paper reflects agreement between central and local government on the need to reduce significantly the number of national performance indicators and targets and on the need for a new performance management framework which gives a greater role to challenge from within the local government sector itself.</p> <p>Within this framework councils can choose to set their own local targets for sustainable procurement and asset management and to agree joint priorities and targets with LSP partners.</p>
<p>2. Set clear priorities. Streamline the framework and provide clarity on policy priorities</p>	<p>Under the joint <i>National Procurement Strategy</i> (2003-2006) there was progress among councils in the adoption of corporate procurement strategies and policies that address sustainable procurement and the achievement of community benefits including engagement of SMEs and third sector organisations. Many have free-standing sustainable procurement strategies. However, practice varies significantly in terms of coverage and the use of targets.</p>
<p>A2.1 Government must produce and thoroughly communicate a clear restatement of its sustainable procurement policy which applies to all central government purchasing.</p>	
<p>A2.2 Major public sector organisations must supplement this with their own sustainable procurement policy statement.</p>	<p>There is a case for strategies and policies to be reviewed in the light of the Task Force's recommendations, and the <i>Flexible Framework</i> and prioritisation methodology in particular, and other developments such as the new gender equality duty and the focus on smarter commissioning of third sector organisations and SMEs, and for local priorities and targets to be (re-) set. Ideally this would be done in partnership through the LSP.</p>
<p>A2.3 Government rationalise existing policies through procurement into one practical unified sustainable procurement framework covering environmental, social, ethical and economic factors. A very short guide to the new framework must be made readily available.</p>	<p>Of necessity, reviews will need to take account of mandatory requirements (including value for money and EU rules) and, where applicable, should have regard to best practice guidance issued by OGC and others.</p>

SPTF recommendation	LG response
A2.4 Government must establish a filter process to ensure that only real government priorities are included in the integrated procurement framework which takes account of policy salience, cost effectiveness and suitability to be addressed through procurement.	Councils determine their own policy priorities through the electoral process and dialogue with the local community.
A2.5 Government must establish and use a new "Gateway - 1" process to ensure sustainability issues are incorporated at the first stage of major projects and track this through the life of the project.	Some councils have already targeted their efforts in the sustainable procurement field on the basis of spend and sustainability impact (an approach to assessing sustainability impact of spend was recommended in implementation guidance supporting the <i>National Procurement Strategy</i>). Councils will find the prioritisation tool recommended by the Task Force helpful.
A2.6 Government must ensure that the unified sustainable procurement framework is effectively applied with sanctions for non-compliance.	
A2.7 All public sector organisations must define clear objectives and targets and put monitoring/reporting mechanisms in place.	
3. Raise the bar. Meet minimum standards now and set demanding goals for the future.	In local government gateway reviews are provided by 4ps and sustainability issues already come in for consideration during that process. There is scope for 4ps to enhance the focus on sustainability.
A3.1 Government must create knowledge base on products and services (and their sustainability impacts) focusing first on the priority spend areas identified by the Task Force.	It is prohibitively expensive for councils and professional buying organisations (including consortia) to carry out lifecycle assessments of all the goods and services that they buy. A reliable bank of knowledge in the priority categories relevant to local government would therefore be a valuable resource.
A3.2 Government must engage internationally with key markets and other countries to establish new sustainability standards.	Mindful of the work being carried out nationally and internationally, councils will need to collaborate to agree a set of standards that are owned by the local government community itself. Professional buying organisations will have a key role to play here as they have already played an important role in putting standards in place.
A3.3 Government must set mandatory minimum product/service standards for sustainable procurement in all priority areas (using Quick Wins as appropriate).	
A3.4 Public sector organisations must work with business to identify and set future minimum requirements and so encourage investment in R&D by suppliers.	The use of public procurement to stimulate markets was an objective of the <i>National Procurement Strategy</i> and engagement of the business community in the standard setting process is a logical extension of that.
A3.5 Public sector organisations must ensure their national and regional contracts do not offer any products/services that fall below these minimum standards (e.g. NHS, PASA, OGCbs).	Councils are in the forefront of using procurement to secure socio-economic benefits as well as environmental ones and an exchange of learning with academia would be valuable. Local government practitioners should be represented in any forums of this kind.
A3.6 Government must work with the academic community and others on how to attribute value to social aspects of sustainable procurement and to stimulate debate around social issues.	

SPTF recommendation	LG response
4. Build capacity. Develop capabilities to deliver sustainable procurement.	<p>Within the local government sector there are Regional Improvement and Efficiency Partnerships and a variety of sub-regional partnerships through which this agenda can be taken forward including the commissioning of training and support as required. Support is also available from the local government central bodies, particularly 4ps, professional buying organisations and professional bodies like SOPO, CIPS and CIPFA and those active in construction, asset management and facilities fields.</p>
<p>A4.1 Government must create a sustainable procurement delivery team to support policy development, research, practical advice and training to procurers both centrally and in regions.</p>	
<p>A4.2 All public sector organisations must establish effective Management Information Systems to support delivery of sustainable procurement.</p>	<p>A programme of capacity building, including professionalisation and skills training in procurement under the <i>National Procurement Strategy</i>, has been underway in local government for some time including training on the 4ps gateway review process. The regions will determine their investment priorities for the capacity-building programme.</p>
<p>A4.3 All public spenders must upgrade procurement capacity and train staff making spending decisions, including Gateway Review process as appropriate.</p>	
<p>A4.4 All public sector organisations must reach Level 1 (or above) of the Flexible Framework by end April 2007 and Level 3 (or above) of the Flexible Framework, with leadership (Level 5) in at least one area by December 2009.</p>	<p>There is a need to further concentrate procurement capability within local government and this focusing of activity will benefit the sustainable procurement agenda.</p>
<p>A4.5 All public sector organisations with procurement spend over £1bn per annum must appoint Commercial Director to the Board by April 2007.</p>	<p>The <i>Flexible Framework</i>, perhaps with some adjustments for the local government context, is a useful tool. The April 2007 target has already passed but the carrying out of a review against the Framework with findings to be implemented from June 2008 is an achievable objective (see 2 above)..</p> <p>Most councils have nominated political and managerial champions for procurement and the professionalisation agenda has led to the appointment of heads of procurement (procurement managers in smaller councils) in councils where there was previously no corporate focus on procurement. In local government it is a question of building a sustainability focus into these roles.</p>
5. Remove barriers. Ensure budgetary mechanisms enable and support sustainable procurement	<p>The Green Book plays an important role in PFI projects but otherwise is not generally applicable in local government.</p>
<p>A5.1 Treasury must produce simplified Green Book guidance which is easy to use and must enforce requirement for whole life costing.</p>	
<p>A5.2 Public sector organisations must ensure that budgeting arrangements support sustainable procurement, including co-ordinated management of capital expenditure and operational expenditure, and explore innovative ways to overcome upfront affordability problems.</p>	<p>There is a need for further guidance on the treatment of long-term value for money (whole life costs and benefits) in the development of business cases (particularly for major investment decisions), the evaluation of bids and in financial management more generally.</p>
<p>A5.3 Government must evaluate pilot public sector energy efficiency fund and consider expansion in Comprehensive Spending Review, so that lack of upfront capital does not rule out the sustainable option.</p>	<p>In our sector CIPFA issues statements of recommended practice, accounting codes of practice and related guidance and should be encouraged to review the professional guidance offered there. The procurement professional bodies CIPS and SOPO could</p>

SPTF recommendation	LG response
A5.4 Treasury and DfES must work with Building Schools for the Future programme to ensure that it is meeting high sustainability standards and to learn lessons for other capital projects.	usefully provide additional guidance for practitioners. In the construction priority area the LGTF should lead work in this area working with the construction professions.
A5.5 Government must develop a mechanism to address cross-departmental cost and benefit issue.	<p>Government financial support to offset any upfront cost of sustainable solutions would be welcome as it would be for transformation/efficiency projects.</p> <p>Given the scale of the BSF programme and its impact on local communities the focus on sustainability is beyond question.</p>
6. Capture opportunities. Smarter engagement with the market to stimulate innovation.	<p>Market signalling of the type identified in the “forward commitment” model is good practice in a variety of contexts and councils would acknowledge its role in stimulating innovation.</p> <p>Building on the work of professional buying organisations and the Regional Improvement and Efficiency Partnerships, more could be done to coordinate demand locally, regionally and nationally and to engage in dialogue with the key suppliers to the sector about the longer term needs of localities.</p>
A6.1 Government must lead the public sector in setting forward commitments to purchase innovative solutions and establish clear routes to public sector market for suppliers of innovative solutions – including procurement portal	
A6.2 Government must establish mechanisms to overcome capability issues amongst suppliers of innovative solutions especially SMEs and the Third Sector.	
A6.3 Delivery team must provide guidance on procurement of innovative solutions including outcome-based requirements; articulating unmet need, use of Flexible Framework to drive innovation; informed approach to risk management and building supplier relationships.	
A6.4 All public sector organisations must work with key markets on joint improvement programmes delivering sustainability and value for money, including appropriate allocation of risk in priority areas.	
A6.5 All public sector organisations must integrate sustainable development and procurement through use of risk-based approach.	

Table 2

Flexible Framework

THE FLEXIBLE FRAMEWORK	Foundation Level 1	Embed Level 2	Practice Level 3	Enhance Level 4	Lead Level 5
People	Sustainable procurement champion identified. Key procurement staff have received basic training in sustainable procurement principles. Sustainable procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.	Targeted refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.	Sustainable procurement included in competencies and selection criteria. Sustainable procurement is included as part of employee induction programme.	Achievements are publicised and used to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.
Policy, Strategy and Communications	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy, in particular consider supplier engagement. Ensure it is part of a wider Sustainable Development strategy. Communicate to staff, suppliers and key stakeholders.	Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.	Review and enhance the sustainable procurement strategy, in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.	Strategy is: reviewed regularly, externally scrutinised and directly linked to organisation's EMS. The Sustainable Procurement strategy recognised by political leaders, is communicated widely. A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.
Procurement Process	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value-for-money, not lowest price. Procurers adopt Quick Wins.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life-cost analysis adopted.	All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targets to improve sustainability are agreed with key suppliers.	Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life-cycle approach to cost/impact assessment is applied.	Life-cycle analysis has been undertaken for key commodity areas. Sustainability Key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.

THE FLEXIBLE FRAMEWORK	Foundation Level 1	Embed Level 2	Practice Level 3	Enhance Level 4	Lead Level 5
Engaging Suppliers	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involved.	Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.	Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.	Suppliers recognised as essential to delivery of organisation's sustainable procurement strategy. CEO engages with suppliers. Best practice shared with other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.
Measurement and Results	Key sustainability impacts of procurement activity have been identified.	Detailed appraisal of the sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas.	Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives.	Measures are integrated into a balanced score card approach reflecting both input and output. Comparison is made with peer organisations. Benefit statements have been produced.	Measures used to drive organisational sustainable development strategy direction. Progress formally benchmarked with peer organisations. Benefits from sustainable procurement are clearly evidenced. Independent audit reports available in the public domain.

The UK Government Response to the SPTF

In March 2007 DEFRA and HM Treasury published the Government's response to the Task Force in the **UK Government Sustainable Procurement Action Plan**. This is to be read alongside **Transforming Government Procurement** published by the Treasury the month before.

Chapter 10 of the *Government Action Plan* addresses the position in the wider public sector, while Annex E contains interim responses for health and social care and local government (prepared by CLG) and a progress report for the education sector. The plan indicates that a local government response to the Task Force's recommendations is expected in summer 2007.

The Government's *Action Plan* is strongly weighted towards environmental considerations and the creation of a low carbon, more resource efficient public sector. Success measures are defined in terms of Government's carbon footprint, waste and energy and water efficiency. Actions on procurement are intended to contribute to challenging targets for "sustainable operations on the government estate" already announced in June 2006.

<http://www.sustainable-development.gov.uk/government/estates/index.htm>

There is no corresponding national strategy for local government "operations" but it features in the asset management strategies and arrangement for facilities management of the best councils.

The national emphasis on environmental issues is reflected in the political leadership of the Secretary of State for Environment, Food and Rural Affairs although delivery will be overseen by the Head of the Civil Service supported by a Permanent Secretary Champion. Each permanent secretary is accountable for their own department's progress and the Chief Executive of the Office of Government (OGC) is responsible for embedding agreed policies through the profession.

The Sustainable Development Commission will monitor and report on progress overall. <http://www.sd-commission.org.uk/>

Under the plan, the key actions for central government departments are as follows:

- During 2007 DEFRA will consult on proposals for a "centre of sustainable procurement excellence" to provide support and guidance and a "sustainable products unit" to develop evidence on the lifecycle impacts of products.
- In the context of Comprehensive Spending Review 2007, DEFRA is examining whether "Salix" funding can be made available to support Government delivery of sustainable operations targets (Salix is an independent, publicly-funded company established by the Carbon Trust that provides interest-free, match funding to the public sector to invest in

energy efficiency measures and technologies that will reduce carbon emissions)

<http://www.salixfinance.co.uk/home.html>

- While the *Action Plan* supports government departments making full use of the *Flexible Framework* recommended by the Task Force, it will be superseded in due course by a new procurement framework (policies and guidance) developed by OGC that sets out the standards government procurement functions must meet. An initial policy framework is contained in Annex A to the *Government Action Plan*.

(N.B. This does not apply to local government; under *Transforming Government Procurement* OGC has refocused on central government procurement).

- The Chartered Institute of Purchasing and Supply (CIPS) will undertake a review of its syllabuses to ensure appropriate coverage of sustainable procurement in its qualification courses from 2008.
- OGC will audit compliance to standards in government departments through the programme of “procurement capability reviews” announced in *Transforming Government Procurement*. It will also review the effectiveness of current measures to embed sustainability in the Gateway Review process.
- The Quick Win product standards will be updated and extended and during 2007 there will be consultation on standards for a wider range of products and services. The standards will be promoted to the wider public sector.

http://www.ogcbuyingsolutions.gov.uk/sustainability/products/sustainability_quickwins_home.asp

- Government contracts will require suppliers to provide products and services that comply with these standards and to assist in the achievement of sustainable operations targets.
- Greater leverage will be exerted through more pan-government collaborative procurement.
- Simplified guidance on the *Green Book* (investment appraisal) has been published and will be followed by updated guidance on environmental appraisal (DEFRA).
- The National Audit Office will look for departmental compliance with the *Green Book* and the *Action Plan*. Departments will be committed to reviewing their budgeting arrangements and performance management framework to ensure they are not presenting unnecessary barriers to choosing sustainable solutions.

- There will be further guidance on capturing innovation and DTI/DEFRA will replicate the “forward commitment” procurement model more widely in the public sector. This involves articulating current and future environmental needs to the market in a way that is credible and focuses on outcomes and performance standards.
- Government departments will work collectively to strengthen engagement with sectors that are key to achieving sustainable operations and efficiency targets and wider sustainable development goals. Plans will be in place or under development by the end of 2007. A revised *Sustainable Construction Strategy* will be published at that time. DEFRA will lead work with key government suppliers to develop voluntary commitments to achieving low carbon activities and supply chains.
- Measures to enable innovation by third sector organisations to be captured include the programmes on commissioning and procurement being undertaken under *Partnership in Public Services* (the Action Plan for Third Sector Involvement) in which IDeA and the Regional Centres of Excellence are delivery partners and *Scaling New Heights* (the Social Enterprise Action Plan).

The actions set out in the *Government Action Plan* are given in full in **Table 3** together with the proposed local government response.

Table 3

UK Government Sustainable Procurement Action Plan

Government action plan	LG response
<p>1. As part of the Comprehensive Spending Review a new set of public service agreements, which reflect the principles of sustainable development, will be agreed to help deliver Government's priority objectives.</p>	<p>Councils support the weight being given to sustainable development as a matter of principle. It is important that the social and economic dimensions are addressed as well as environmental impacts.</p> <p>Any targets proposed for sustainable development will need to be considered in the context of the new performance management framework for local government, the CSR07 value for money programme and intensifying budget pressures.</p>
<p>2. Priorities and future plans. We have clarified our current sustainable procurement policy priorities, through issuing a sustainable procurement policy framework (Annex A) with which Government Departments are expected to demonstrate compliance in working towards their sustainable operations targets, and setting out how we intend to develop the policy framework during 2007.</p>	<p>Councils and their professional buying organisations may wish to review corporate procurement strategies and policies against the <i>Flexible Framework</i> and where necessary to (re-) set local priorities and targets. Implementation of findings from April 2008 is an achievable objective. It would also be helpful to review asset management strategies and arrangements for facilities management from the same point of view.</p>
<p>3. Strengthening leadership for sustainable procurement by clarifying accountabilities and roles throughout Government and ensuring appropriate performance objectives and incentives are in place within each Government Department.</p>	<p>As part of the review referred to in 2 above, councils can consider where responsibility for leadership to sustainable procurement and asset management rests at political level and on the corporate management team. The leadership role of managers in the construction, facilities management and procurement fields can be examined.</p>
<p>> Delivery will be overseen by the Ministerial Committee on Energy and Environment (EE), chaired by the Prime Minister</p>	
<p>> The Secretary of State for the Environment, Food and Rural Affairs will be the lead Minister, reporting to the Prime Minister</p>	
<p>> The Head of the Civil Service will oversee delivery of this plan and a report on progress in 2008, supported by a nominated Permanent Secretary Champion for Sustainable Procurement.</p>	<p>In local government, support to the adoption of good practice is currently provided by the Regional Improvement and Efficiency Partnerships, local government central bodies like 4ps, the Local Government Taskforce (LGTF) in the construction field and professional bodies like SOPO and CIPFA and the property, construction and facilities management professions all of which can</p>

Government action plan	LG response
<p>> Permanent Secretaries are accountable for their department's overall progress and for ensuring, from 2007-08 onwards, key staff in the departments have performance objectives and incentives that drive the implementation of this plan, linked to performance objectives for delivering efficiency savings.</p>	<p>act as catalysts for change. The professional buying organisations (including consortia) show leadership through their actions.</p>
<p>> The Head of the Government Procurement Service (GPS)/Chief Executive of the Office of Government Commerce (OGC) is accountable for embedding agreed procurement policies through the profession so that they become part of normal procurement practice from 2007-08 onwards.</p>	
<p>4. Budgeting and accounting practice. We will improve Departmental practice through promoting greater compliance with existing government policy on value for money. This will be pursued by:</p>	<p>The Green Book plays an important role in PFI projects but otherwise is not generally applicable in local government.</p>
<p>> Providing simplified guidance on the HM Treasury (HMT) Green Book (alongside this report) and updated guidance on environmental appraisal (during 2007).</p>	<p>There is a need for further guidance on the treatment of long-term value for money (whole life costs and benefits) in the development of business cases (particularly for major investment decisions), the evaluation of bids and in financial management more generally.</p>
<p>> The National Audit Office's (NAO) ongoing scrutiny of Departmental compliance with the Green Book; committing Departments to review their budgeting arrangements and performance frameworks to ensure they are not creating unnecessary barriers to choosing sustainable solutions.</p>	<p>In our sector CIPFA issues statements of recommended practice, accounting codes of practice and related guidance and should be encouraged to review the professional guidance offered there. The procurement professional bodies CIPS and SOPO could usefully provide additional guidance for practitioners. The Local Government Taskforce can lead work with the construction professions in the construction priority area.</p>
<p>> Departments raising their case with HMT when a real affordability constraint appears to prevent them from choosing a sustainable solution.</p>	
<p>> Defra examining a possible role for Salix funding in supporting Government delivery of sustainable operations targets.</p>	
<p>> OGC reviewing effectiveness of current measures to embed sustainability in the Gateway Process.</p>	<p>Government financial support (including Salix funding) to offset any upfront cost of sustainable solutions would be welcome as it would be for transformation/efficiency projects.</p> <p>4ps operate the gateway review process for local government. Sustainability is already considered as part of that process. We will ask 4ps to review the process to establish whether the focus on sustainability can be enhanced.</p>
<p>5. Building capacity across Departments by:</p>	<p>It will be important that qualification courses reflect the local government context and not simply central government requirements.</p>
<p>> Working with the National School for Government on improving public servants sustainable development skills and with the Chartered Institute of Purchasing and Supply (CIPS) on skills for purchasing professionals.</p>	<p>As indicated above, councils might decide to carry out a review against the</p>

Government action plan	LG response
<p>> Departments making full use of the Task Force flexible framework where it helps improve procurement practice and achieve sustainable operations targets, pending the development of a new procurement framework by the OGC.</p>	<p><i>Flexible Framework</i> and to (re-) set local priorities and targets as appropriate.</p>
<p>> Defra providing initial support through workshops to practitioners seeking help on the flexible framework</p>	<p>Support from DEFRA would be welcome. Some councils have already piloted reviews and would be interested in acting as reference sites.</p>
<p>> OGC will audit those standards through procurement capability reviews of department's functions ensuring departments meet required standards, helping to build and increase professional procurement function capacity where necessary.</p>	<p>Through Regional Improvement and Efficiency Partnerships councils will determine priorities for investment in capacity building programmes including the commissioning of support.</p>
<p>> Defra consulting during 2007 on proposals for a centre of sustainable procurement excellence to provide coherent quality support, guidance and advice and establishing a sustainable products unit to develop evidence on the life cycle impacts of products.</p>	<p>The landscape of capacity building organisations is already complex and in our sector there is already an infrastructure of Regional Improvement and Efficiency Partnerships, professional buying organisations and local government central bodies to take this agenda forward. We do not see a role for a national centre of excellence in our sector.</p> <p>However, a central unit focused on carrying out lifecycle assessment of products would add value by doing once something which would otherwise need to be done many times over at great cost.</p>
<p>6. Raising standards through improving departmental compliance to agreed mandatory standards:</p>	<p>Mindful of the work being carried out nationally and internationally, if standards are to be owned by councils they will need to be involved in drawing them up and they will need to be agreed by the local government community itself.</p>
<p>> including through greater use of pan-government collaborative procurement</p>	
<p>> Department for Transport (DfT) will review the standards and targets for the government car fleet, and will publish an updated Government new car average CO2 emissions target later in the Spring.</p>	<p>Professional buying organisations will have a key role to play here as in many instances they have already put standards in place.</p>
<p>> From 1 April 2009 only timber and timber products originating either from independently verified legal and sustainable sources or from a licensed Forest Law Enforcement, Governance and Trade (FLEGT) partner will be demanded for use on the Government estate – appropriate documentation will be required to prove it. From 1 April 2015, only legal and sustainable timber would be demanded.</p>	

Government action plan	LG response
<p>> Extending and updating the existing “quick-wins” standards to an increase range of products (“Quick Wins 2007” of which there are 54 in total) (which means for example departments will increasingly only choose computers, office equipment and white goods that are low energy) and consulting during 2007 on standards for a wider range of products and services.</p>	
<p>> Including in government contracts appropriate requirements for suppliers and sub-contractors to provide products and services that comply with these standards and to assist in the achievement of Departmental sustainable operations targets; promoting these standards to the wider public sector.</p>	
<p>7. Market engagement and capturing innovation. The Department of Trade and Industry (DTI) is leading cross-Government work on how public procurement can more effectively stimulate innovation to deliver better value for money and to drive wealth creation as part of its forward policy programme.</p>	<p>Market signalling of the type identified in the “forward commitment” model is good practice in a variety of contexts and councils would acknowledge its role in stimulating innovation.</p>
<p>> DTI and Defra will replicate the Forward Commitment Procurement model more widely in the public sector</p>	<p>Building on the work of professional buying organisations, the Regional Improvement and Efficiency Partnerships, and the Local Government Taskforce’s work with DTI on construction, more can be done to coordinate demand locally, regionally and nationally and to engage in dialogue with the key suppliers to the sector about the longer term needs of localities</p>
<p>> All departments will continue to promote to their buyers and suppliers the issues identified in the OGC/DTI “Capturing Innovation” guidance as good procurement practice.</p>	
<p>> OGC/DTI guidance on finding and procuring innovative solutions will be published in Spring 2007</p>	
<p>> DTI and Cabinet Office will provide ongoing advice and support to small and medium sized enterprises and third sector organisations wishing to supply the public sector</p>	
<p>> Government departments will work collectively to strengthen their strategic engagement with sectors that are key to achieving our sustainable operations and efficiency targets and wider sustainable development goals and Defra will lead on work with key government suppliers to develop voluntary commitments to achieving low carbon activities and supply chains.</p>	
<p>8. Scrutiny and reporting. Building on the strengthened “watchdog” role given to the Sustainable Development Commission (SDC) in 2005, the SDC will report on Departmental progress through progressively including the sustainable procurement commitments set out here in the annual Sustainable Development in Government (SDiG) reports and in their scrutiny of departmental Sustainable Development Action Plans (SDAP). Subject to any future investigations by the</p>	<p>The remit of the Sustainable Development Commission does not extend to the local government sector.</p>

Government action plan	LG response
NAO or EAC (Environmental Audit Committee), we will invite the SDC to conduct a health-check review of our ambition, plans and progress in this area in 2008.	

The local context

Local government is responsible for the well-being of localities in terms of their economic prosperity, social cohesion and environmental quality (sometimes called “place-shaping”) and for the provision of a wide range of public services often delivered in partnership with other public sector agencies, private and third sector partners.

Through our spending decisions we can bring influence to bear in many markets and our behaviour influences the actions of a network of partners.

Councils operate within a statutory and financial framework that is specific to our sector.

At the top level the Sustainable Community Strategy (SCS) sets out how the council and its partners in the Local Strategic Partnership (LSP) will tackle shared priorities for the community. The Local Area Agreement (LAA) is evolving into a more detailed delivery plan for the strategy in which the Government is a key partner.

In line with proposals put forward by local government³ legislation is recasting these arrangements within a new performance management framework which relies far less on nationally determined targets and inspection regimes and gives a greater role to challenge from within the local government sector itself.

From 2009 the Audit Commission and other inspectorates will collaborate to provide a risk-based Comprehensive Area Assessment (CAA) which replaces Comprehensive Performance Assessment (CPA) for councils. CAA will look at the activities of all public services in the locality. The council’s “use of resources”, which includes procurement and asset management, will continue to be “scored” by the Commission.

Following consultation the Audit Commission has announced its intention to take sustainable procurement and asset management within CAA and the use of resources judgement.

Councils are currently on track to deliver some £4 billion in efficiency gains in the three years to March 2008 and face an expectation that they will deliver a further £4.9 billion in cashable savings in the next three-year spending review period to March 2011 (Comprehensive Spending Review 2007).

The overall settlement for the next three years is extremely tight (an average of 1 per cent increase per year in real terms) and it comes at a time when councils are already facing significant budget pressures particularly in adult social care, children’s services and waste management, and those pressures are likely to intensify.

³ See for example, *Closer to People and Places*, Local Government Association, 2006.

The balancing of priorities over the next three years will be a significant challenge.

Developing a more strategic approach

Councils have been moving to a more strategic approach to sustainable procurement for some years.

Milestones in relation to the achievement of community benefits and market stimulation formed a major plank of the *National Procurement Strategy* (2003-06) agreed jointly between Government (now CLG) and the Local Government Association.

Implementation guidance was published by the Improvement and Development Agency (IDeA)⁴ backed up by a programme of “fitness checks”. 4ps has integrated sustainability into the gateway review process for major projects and its procurement packs and guidance.

The Local Government Task Force (LGTF) played a central role in the delivery of the construction strand to the *National Procurement Strategy*, as well as the Rethinking Construction programme, and today it works closely with the Regional Centres of Excellence (see *below*). The LGTF has an extensive consultative network with professional groupings operating in the local government construction and property environment.

As the single largest area of local authority expenditure, and arguably the area of greatest environmental impact, the LGTF is wholly committed to delivering construction in the most environmentally friendly way. It is also committed to supporting the communities served by those very structures created in the process. It believes that the single most effective method to achieve these objectives is by ensuring that all works are commissioned on a whole life value basis.

Local Government Task Force

⁴ Including *Sustainability and Local Government Procurement* and guidance on performance measurement including voluntary indicators in the sustainability area available at: <http://www.local-pi-library.gov.uk>

The *National Procurement Strategy* was also the launch pad for the nine Regional Centres of Excellence (RCEs) that assumed the task of embedding good practice in procurement and coordinating demand on a regional basis (together with a pivotal role in the broader efficiency agenda). These are now being integrated with regional Improvement Partnerships to create Regional Improvement and Efficiency Partnerships (RIEPs).

The North East centre leads for the RCEs on sustainable procurement, coordinating the activity across the nine regions, and the centres support a national programme focused on the realisation of savings through smarter commodities procurement.

Data collected by the Regional Centres of Excellence show how the £40 billion local government procurement spend is distributed (see **Table 4**). Once the SPTF prioritisation tool is applied it becomes clear that the priority categories in our sector, and therefore those to be tackled through this strategy and associated route map, are:

- Construction and facilities management
- Social care *
- Waste management
- Energy
- Transport
- Food

* Meaning personal social services (requirements for asset and commodities are covered elsewhere). This is a priority category due to the social impact of the services and the high volume of procurement from third sector organisations. It is a shared priority with the health and social care action.

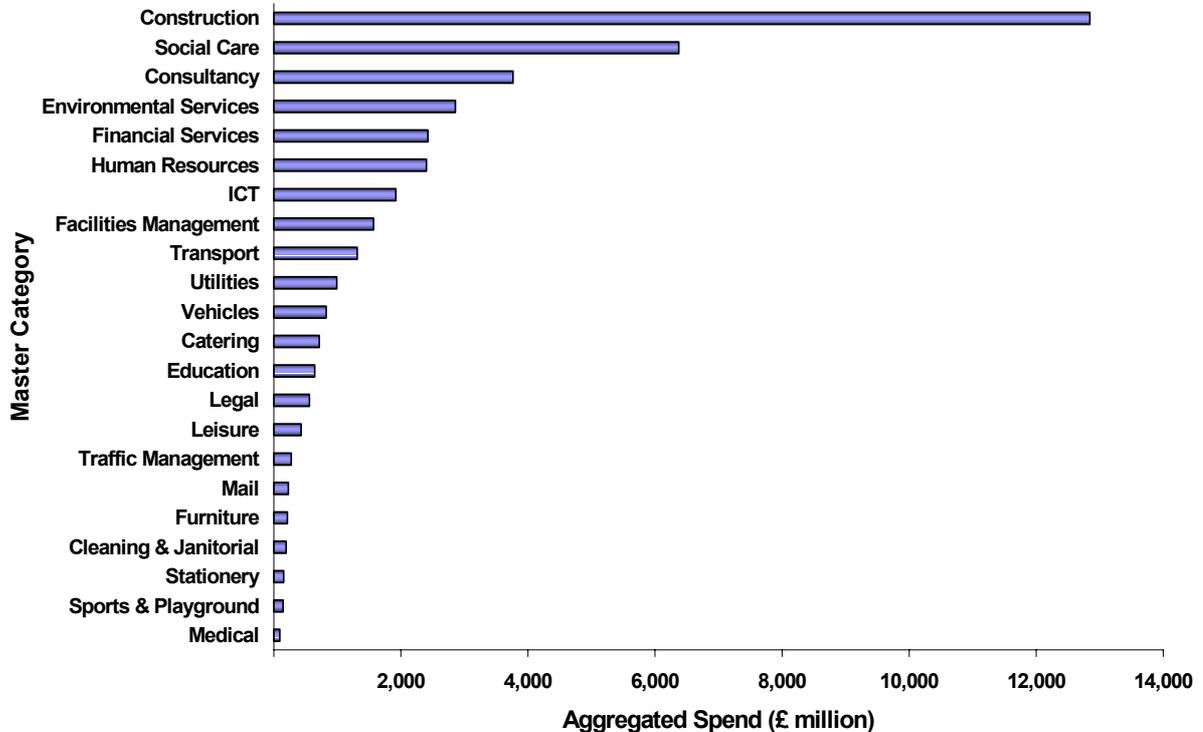
It can be seen that construction and facilities management constitute by far the largest category of spend. These activities have major environmental impacts and present significant opportunities for the achievement of social and economic benefits. For this reason, it is recommended that this category is accorded top priority in the strategy. They are, of course, the same areas of spend in which value for money savings will need to be delivered.

The establishment of a Climate Change Commission (chaired by Professor John Chesshire) was announced by LGA in March 2007 and is due to report by the end of the year. Among other things, it will investigate the progress that has been made by councils in the procurement of green goods and services and its findings will be taken into account in the development of the implementation route map which supports this strategy.

The *National Procurement Strategy*, along with other sectoral strategies, will be superseded by a single, National Improvement and Efficiency Strategy (NIES) agreed between central and local government. This provides a fresh opportunity to review priorities, leadership roles and support arrangements including the roles of the RIEPs and local government central bodies.

Table 4

Where does the money go?



Source: Regional Centres of Excellence

A shared ambition

Councils share the aspiration, set out in the UK Sustainable Development Strategy (*Securing the Future*), for the UK to be among the European Union leaders in sustainable procurement by 2009.

Among other things, this means moving towards -

- A sustainably-built and managed local government estate
- Sustainably-built and managed homes and roads
- Local public services and supply chains that are increasingly low carbon, low waste and water efficient, which respect biodiversity and which deliver economic and social benefits that contribute to the sustainable development of communities.

The achievement of a low carbon, more resource efficient local public sector will be advanced through the work of the LGA's Climate Change Commission, chaired by Professor John Chesshire.

The Commission's objectives are to –

- Review and evaluate critically local government's track record on climate change and identify the factors which have contributed to and hampered local government's effectiveness.
- Make recommendations for local government, central government and other organisations on how the local government response could be improved.
- Raise the local government profile in responding to climate change, to all local authorities, the government and the public.

The Commission looks at the ways in which councils can tackle carbon emissions in their own buildings and facilities, in the services they provide and the decisions they take in housing, transport and social services. It investigates how authorities go about purchasing green goods and services. It explores the leadership role of councils in encouraging individuals, communities and businesses to reduce their emissions.

A local government strategy

On the journey from shared ambition to achievement on the ground local government's strategic intent is as follows.

Each council and local strategic partnership

- A. Councils, working with local partners, will pursue the achievement of social, economic and environmental benefits through the Sustainable Community Strategy, Local Strategic Partnership and Local Area Agreement. This will include collaboration to make best use of the purchasing power of the partners.
- B. We will award contracts on the basis of whole life costs and benefits wherever possible.
- C. By June 2008 we will carry out a short review and, where necessary, reset our strategies, policies, priorities and targets for sustainable procurement and asset management against the *Flexible Framework* and we will measure progress through the council's performance management system.

- D. We will encourage ownership of our commitment by the political and managerial leadership of the council and engage scrutiny in the search for more sustainable solutions.
- E. We will secure appropriate training and development for councillors, senior managers, procurement, asset management and other professionals, and service managers.
- F. We will mainstream sustainable procurement and asset management into all of our activities including those carried out at arm's length and through strategic partnerships.

The sector acting collectively

- G. We will prioritise action on construction and facilities management - the largest category of procurement expenditure in the sector – followed by social care, waste management, energy, transport and food.
- H. We will work closely with colleagues in the health sector on this agenda, particularly in the shared priority area of social care, and with schools.
- H. We will collaborate locally, regionally and nationally, using our purchasing power to transform these key markets, including the stimulation of innovation.
- I. We will work together to agree a clear set of standards for the sector linked to corresponding standards under development for the rest of the public sector.
- J. We will identify exemplars of good practice (against the *Flexible Framework*) and challenge ourselves to raise our own performance.

Leadership and support to implementation

- L. The National Improvement and Efficiency Strategy will mobilise sector resources for leadership, support and challenge across the whole improvement and efficiency agenda.
- M. We will expect Government to put enablers in place in a timely manner to help us achieve our shared ambition in this area.
- N. CIPFA, together with LGTF and 4ps, will review guidance for local government, including budgeting, investment appraisal and tender evaluation, with regard to the consideration of whole life costs and benefits.
- O. LGTF will play a leading role on sustainability in the construction and facilities management priority area together with 4ps.

- P. 4ps will examine how the focus on sustainability within the local government gateway review process can be enhanced.
- Q. IDeA will develop the national programme on third sector commissioning and its work on equalities issues in procurement as an integral part of the sustainable procurement agenda.

Following further consultation with local government and its partners, the strategy will be complemented by an implementation route map developed in conjunction with the LGA which will describe the actions which need to be taken to realise the intent set out here.