

**Report of:** Chief Officer (Public Private Partnerships and Procurement Units)

**Report to:** Scrutiny board (sustainable economy and culture)

**Date:** 18<sup>th</sup> October 2012

**Subject:** Proposals for new council approach to environmental issues in procurement

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. The 'transforming procurement programme (TPP)' has been initiated to drive strategic and operational change throughout the council's buying activities. The category management approach implemented by the programme seeks to improve accountability in the scoping, execution, management and review of the council's procurements. This includes greater corporate visibility of when contracts end and the timeline for future procurements to ensure successful planning, better allocation of resources, and more effective and efficient client support.
2. A previous scrutiny board meeting highlighted the monitoring of environmental performance within the council's supply chain as a priority in need of further investigation. Given the TPP's broad role in revamping procurement-related policies and processes, members requested that the TPP board identified how it could help to use the council's purchasing power as a lever to incite positive changes in respect of the environmental performance of externally delivered service provision.
3. In response to the above, the TPP work – presently being implemented by the Public Private Partnerships and Procurement Units (PPPU and PU) – has created a workstream dedicated to reinvigorating and improving the council's approach to addressing environmental issues through procurement.

## Recommendations

4. Scrutiny board members are asked to note the contents of this report and offer their support and commitment to the proposals detailed.
5. Members are also requested to provide any comments and suggestions they may have regarding the proposals.

### 1. Purpose of this report

- 1.1 To acknowledge member interest in the environmental credentials and performance of our suppliers and duly update the scrutiny board on changes to the council's approach to such issues, which will be brought about as part of the TPP.

### 2 Background information

- 2.1 The following item is an excerpt taken from the minutes of a scrutiny board meeting that took place on the 19<sup>th</sup> of April 2012:

*"e) Environmental performance of our contractors, how they are monitored and targets that are set. The Board were advised that as part of the Transforming Procurement programme environmental performance contract requirements will be reviewed. Work will be completed in the autumn of 2012. Members requested a further update in this area be scheduled into the work programme in the autumn."*

As such, this report is submitted in accordance with the previous commitment we made to provide a progress update. The content seeks to explain how the TPP will ensure that procurement projects take heed of any environmental issues that may be pertinent, whilst also endeavouring to establish how the performance of our contractors might be quantified, prioritised, and subsequently addressed moving forward.

- 2.2 A number of expansive initiatives are being implemented through the TPP to improve the council's entire approach to procurement. Indeed, the TPP has been formed to drive strategic and operational change in the council's buying activities. The programme will improve accountability and performance in the planning, execution, management, and review of the council's procurement projects.
- 2.3 This package of work is fundamentally linked to other TPP workstreams associated with the remit of sustainable procurement as a whole, such as: promoting employment and skills, encouraging small-medium sized enterprises (SMEs) and the third sector, supporting ethical pursuits (e.g. animal welfare and fair trade), equality and diversity, and so on. As such, there are very obvious interfaces that will be maintained. This is especially important since the three pillars of sustainability – economic prosperity, social progress, and environment protection – are interdependent, and therefore must receive integrated and equal treatment if a proposal is to be truly sustainable. The comprehensive management of all three sustainability strands is reinforced by our obligations under the Public Services (Social Value) Act 2012.

### **3 Main issues**

- 3.1 Stemming from the TPP work, the following deliverables are proposed as a vehicle to improve the council's approach to addressing environmental issues in the procurement process. For ease of comprehension, these are separated into relevant themes. Please note that based on relative priorities some deliverables will be finalised in December 2012 whilst the others will be completed next year.

#### ***Operational interventions***

- A set of 'questions' will be incorporated into sections within each of the TPP's core documents, which effectively create 'manuals' relating to the three main constituents of the commissioning process, i.e. category planning, procurement process, and contract management. The embedded questions will set out the principles that should be borne in mind by the people preparing those documents.
- In respect of promoting environmental well-being within category planning, a strategic model for prioritising action will be formulated as an appendix to a category plan template. This will be based upon easy to interpret 'Kraljic matrices', which will offer snapshot visual representations of the purchasing strategies that should be followed for particular commodity areas – in respect of environmental issues – under certain market conditions (see appendix 1 for an example of these matrices).
- In terms of procurement plans, the questions in the associated template will attempt to tease out the main environmental issues pertaining to specific contracts. The intention is that those issues will then be explored further by project teams in order to identify potential solutions and innovations that can then be stipulated or rewarded within the procurement process.
- The procurement plans will also have a link through to a separate appendix, which will give model wording and general advice in respect of making environmentally-conscious interventions into different types of contract. Arguably, this will form the most important practical resource created by the TPP's environment bundle.

#### ***Performance monitoring***

- All procurement projects will be party to the new processes established by the TPP. As such, all procurements will consider environmental issues as part of their appraisal and any action thereafter will be prioritised based on the scope to take affirmative environmental action within each contract.
- Questions embedded into the contract management plan template will be complemented by an appendix that gives hints and tips on how to deal with the following aspects in respect of fostering environmental well-being in council contracts: structuring/monitoring key performance indicators and enforcing relevant contractual stipulations.

- Investigations are currently underway to establish potential ways through which the council can establish a 'carbon footprint' for its supply chain activities. There are a number of companies that claim to be able to quantify the carbon emissions associated with purchases that public sector bodies make. They achieve this by analysing data from financial management systems and applying industry standard, scientifically-formulated carbon 'intensity' metrics to the expenditure. If the reliability of these approaches can be proven, there could be a great deal of scope for the council to utilise such analyses to help monitor environmental performance, search for patterns and shortfalls, and potentially, set quantifiable performance targets thereafter. This fits well with the outputs specifically mentioned in the scrutiny board minutes referred to in item 2.1 of this report. Nevertheless, there is a cost associated with these services and as such, finding an appropriate budget is a possible constraint at this point. However, should a sound business case be established, the PPPU and PU will have a duty to ensure that value for money is optimised before proceeding.

### ***Communication and cross-working***

- A 'champion role' for environmental procurement will be filled by a suitably qualified individual from within the PPPU and PU. This person will be tasked with maintaining a productive relationship with the environmental policy team, who fall under the 'strategy and commissioning' arm of the Environment and Neighbourhoods Directorate. This relationship will be critical to the success of the entire initiative. The champion will also be committed to ensuring that the council becomes a public sector exemplar in this field.

### ***Capacity building***

- Environmental well-being in procurement will form an integral part of an overall workshop package for sustainable procurement, which will give each and every project team the tools required to establish the golden thread of action they need to weave in respect of categories, procurements, and subsequent contracts.
- An appropriately targeted webinar will be developed for internal training where SharePoint will be used to distribute the slides across the council. An outward facing webinar will also be drafted with the intention of explaining the corporate social responsibility agenda to our supply chain partners. This will include training on how organisations might go about improving their environmental performance, not just in the contracts they deliver for us but also in those that they undertake for their other customers as well.
- Case studies will be prepared across a range of different commodity areas, which will give procurers and client departments a better appreciation of how sustainable procurement can be implemented in practice.
- Aide-mémoires may also be published as a means of issuing concise guidance on how to purchase with environmental well-being in mind. These would be aimed primarily at order raisers and low value procurers who don't

necessarily use the formal procurement route to secure the goods and services they need.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 There are no specific implications with respect to this report.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 There are no specific implications with respect to this report.

### **4.3 Council policies and city priorities**

4.3.2 The TPP aims to support the wider ambitions of the council and specifically contributes to the council value of 'spending money wisely'. This particular workstream aligns itself with commitments set forth in the Vision for Leeds and the Climate Change Strategy for Leeds, as well as those ingrained within internal mandates such as the environmental policy.

### **4.4 Resources and value for money**

4.4.1 There are no specific implications with respect to this report.

### **4.5 Legal implications, access to information, and call-in**

4.5.1 There are no specific implications with respect to this report.

### **4.6 Risk management**

4.6.1 The TPP operates in compliance with the council's risk management policy.

## **5 Conclusions**

5.1 A comprehensive piece of work has been scoped out to address member concerns in relation to the environmental performance of our contractors. It is hoped that this fully reflects the views and desires of all interested parties. The ultimate aim is that the proposed changes will bring about positive outcomes for the environment, which in turn will raise the council's profile as an environmental leader in the public sector.

5.2 It should be noted that the outcomes and deliverables for the environmental package falling under the TPP have been drafted in the context of thorough consultation with internal stakeholders, including the environmental policy team. This consultation is on-going and will continue for the programme's entire lifespan.

5.3 All of this work must be delivered by the 31<sup>st</sup> of March 2013, although the majority of deliverables will be in place prior to that deadline; specifically, by December 2012. Given the relatively tight timescales, we need to seek universal agreement

that the proposed methodology is both sensible and fit for purpose before we set off on what will be a fixed path.

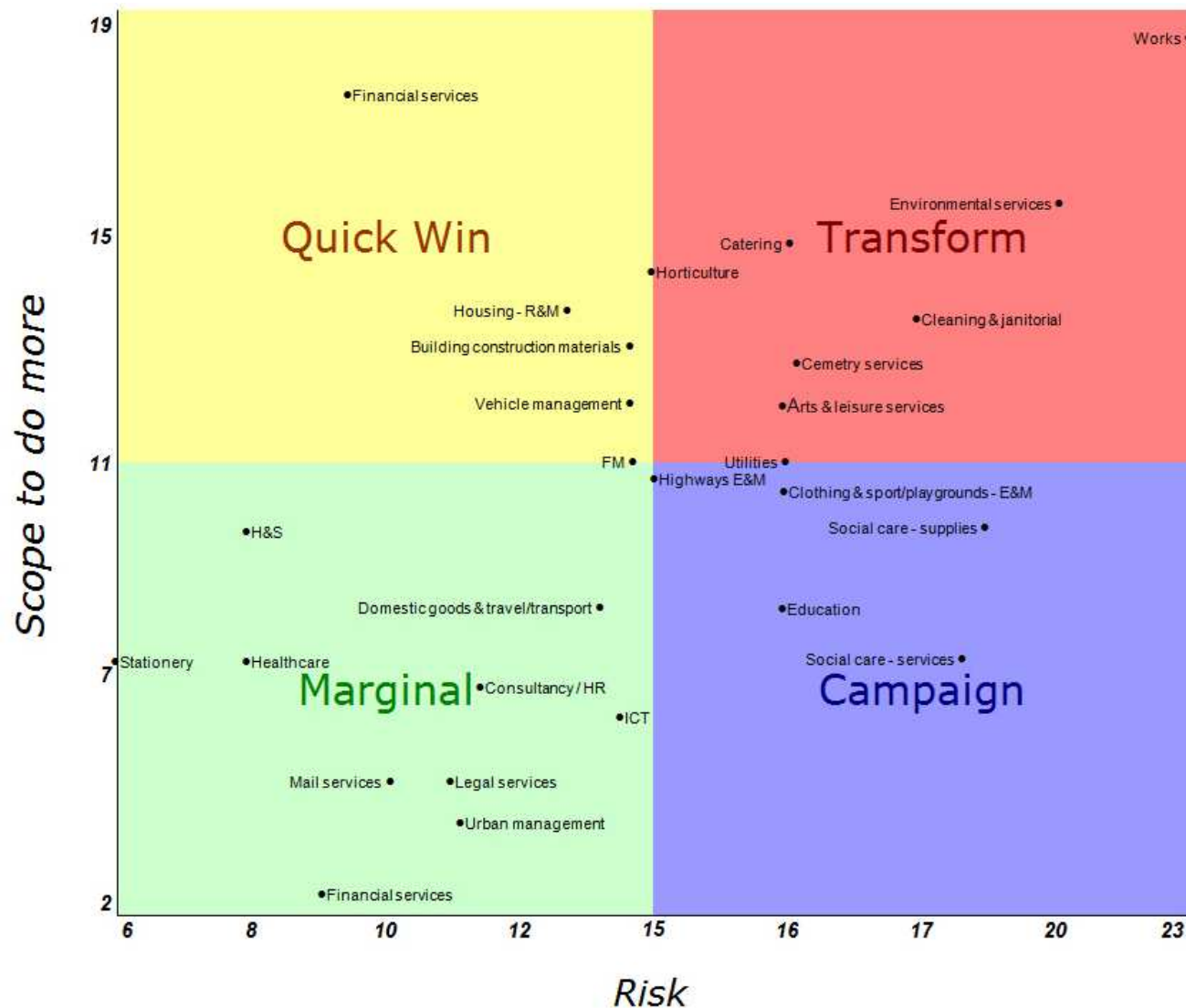
## **6 Recommendations**

- 6.1 Scrutiny board members are asked to note the contents of this report and offer their support and commitment to the proposals detailed.
- 6.2 Members are also requested to provide any comments and suggestions they may have regarding the proposals.

## **7 Background documents**

- 7.1 None

## Appendix 1 - Buyer Approach - Matrix



### Risk-scope graph - quadrant advice

**Quick wins:** The approach here is to set minimum standards and mandate them across the organisation. The resource devoted to this relatively straightforward activity should be low, allowing more time to be spent on higher risk areas where campaigning or transformation is required.

**Transform:** The approach to the contract and indeed, the market, is to revolutionise the way in which the product or service is produced/delivered and change the attitude of the supplier/market to sustainability issues. Therefore, the buyer will approach the specific contract with the mindset of transforming the historical approach, to minimise the sustainability risks present.

**Campaign:** Spend areas in this category are high risk but have low scope for improvement, mainly due to either proprietary suppliers or the complexities associated with the particular commodity. The best approach is to encourage the appropriate suppliers in this category to change their production processes, product/service characteristics, and/or their supply chain practices. However, it is accepted that suppliers have no obligation to comply with our requests and wholesale changes can only be truly driven at a government level, through legislation, penalties, and/or incentives. An example of this is the move to renewable energy from fossil fuels, whereby a key marketplace is being intrinsically changed for the better by central government legislation.

**Marginal:** Spend areas in this category are low risk and also have limited opportunities to do more. The only viable strategy in these cases is to commit resources only if there are distinct opportunities presented to the council by suppliers or we gain knowledge of new developments in the market that create potential for new sustainability interventions. It might be that sustainable procurement is relevant in certain areas but we've already exhausted all avenues by pursuing sustainability to its maximum extent in previous and current contracts (therefore lowering further scope to do more).