

Sustain or be obsolete

Why is sustainable procurement so important? Here's a reason: 30 per cent of the world's species have become extinct in the past 50 years and a further 30 per cent face extinction if the human race continues to damage the environment.

Shaun McCarthy provides a definition and explains why the profession should get involved

By thinking about what you buy, how it's sourced, who makes it, where it comes from and how far it travels, you could do something about that - and if you don't, procurement itself could become obsolete.

And, "sustainable procurement", "responsible procurement", the "corporate social responsibility" agenda - however you want to label it - can also boost the economy and bring wider benefits to society.

So when we talk about sustainable procurement, it's not just about the environment. It can prompt improvements to labour conditions, wages, working hours and the health and safety record of organisations, and lead to investment in local economies by sourcing local labour and supply.

Help others to help yourself

For example, unemployment among London's black Caribbean community is 10 times the rate of the capital's most employed ethnic group (the Indian community) and 3.8 million children in the UK live in poverty. Businesses, consumers and the public sector are becoming more aware of these issues and are starting to demand more solutions from their supply chains. And that's where you come in. But sustainable procurement isn't necessarily a purely philanthropic activity.

There are many reasons why organisations should consider this approach and each will have its own unique combination of drivers.

Brand value, for example - essential to many companies. While it may be possible to make a drink that tastes a lot like Coca-Cola, for example, it's not possible to replicate more than 100 years of meticulous brand building. Yet a single environmental incident, or news article about child labour or safety conditions in a part of the supply chain that the company may not even be aware of, can severely damage the brand.

These days, consumers are concerned about climate change, food miles, where things are made and under what conditions. A fickle retail market is increasingly likely to turn its back on products that are not procured responsibly.

Businesses are seeing their competitors using sustainable solutions to differentiate themselves. Price and quality are no longer enough. Buyers are starting to demand more sustainable solutions and the competition will supply them if you don't. Firms must ask themselves: how fit is our supply chain to deliver, and do we know who our suppliers are and what they do?

The public sector has different reasons for demanding greater levels of sustainability from its supply chain. It must ensure the £150 billion of public money spent on goods and services every year is done so responsibly and to the benefit of society.

The duty to help create a healthy and prosperous community drives public sector organisations to use the supply chain to generate local business and have a positive impact on the local environment. The success or otherwise of this approach is decided at the polling booth, where an electorate will no longer accept poor performance.

Central government wants the UK to be among the leaders in the EU on sustainable procurement by 2009. It set up the Sustainable Procurement Task Force (SPTF), of which I was a member, to help the public sector achieve this. The group made its recommendations in 2006 (SM, News, 22 June 2006) and the government issued its response in earlier this year (SM, News, 15 March).

The response sets out plans to strengthen sustainable procurement leadership with permanent secretaries accountable for their department's progress. There are also plans to nominate a sustainable procurement champion to report directly to the head of the civil service.

Whitehall is consulting on the creation of a centre of sustainable procurement excellence. But it deferred any decision on the recommendation that commercial directors be appointed to boards of departments, stating their representation should be assessed by the OGC.

So while there is an intent to rise to the challenge, some of the details are not strong enough and fail to cover the issue comprehensively (see box on page 36).

Leading by example

SPTF chairman Sir Neville Simms said of sustainable procurement: "Future generations will neither excuse nor forgive us for ignoring the signals we see today. They will not accept that it was too difficult or too costly to keep our economic aspirations in balance with the impact on the environment and the effect our decisions will inevitably have on society."

Powerful words require a powerful response - and in some areas, there has been one.

Marks & Spencer's Plan A outlines a simple, emphatic and visionary set of objectives: to combat climate change, reduce waste, safeguard natural resources, trade ethically and build a healthier nation.

The Environment Agency continues to set the pace in the public sector (see page 50) and initiatives by other organisations, such as HM Prison Service, which is trying to source a "zero waste prison mattress", send clear signals to the market that solutions are required.

Yet there has been very little change in common procurement activity. Self-assessment by some 170 organisations using Action Sustainability's free online measurement tool, which ranks them in five different levels, indicates more than 90 per cent of respondents are in the first stages of addressing sustainable procurement.

But a few organisations have ambitious goals, including West Sussex County Council, which plans to achieve level five by 2010. These are setting the pace for others to follow.

Skills gap

Knowledge and professional skills in this area are in short supply. A recent SM 100 survey revealed that more than 80 per cent of purchasers believe the profession lacks a clear understanding of the term "sustainable procurement".

But the profession is slow to grasp the agenda and learn new skills. In the past year, CIPS, the Chartered Institute of Public Finance and Action Sustainability have been forced to cancel training courses because of a lack of interest. Those who do attend provide positive feedback and often come to other events, engaging fully with the issue. Most do not come.

It seems the profession is looking for a quick fix. Unfortunately the answer is quite complex, and requires organisations to assess their individual impact before they can tackle it.

In failing to address this issue, procurement is missing an opportunity to raise its own profile.

Olympic opportunity

The London 2012 Olympic Games is an excellent opportunity to show the benefits sustainable procurement can bring to the environment, economy and society.

According to the Olympic Delivery Authority's (ODA) Sustainable Development Strategy:

- 90 per cent of demolished buildings will be recycled.
- Carbon emissions will be 50 per cent lower than current building regulations
- 20 per cent of materials used will be recycled.
- 20 per cent of the energy used will be from renewable sources.

As chairman of the Commission for a Sustainable London 2012, which is independent of the ODA, I am seeking objective evidence that the above will happen. My role covers all the Olympic delivery bodies. I also advise the

Olympic board to ensure it has explored the social, economic and environmental issues and considered how to benefit the community in the long term.

A sustainable games also depends on local firms winning contracts. Tier-one contractors should be encouraged to use SMEs further down the supply chain and smaller companies should learn to market themselves for this. While there are exemplary leadership initiatives and ambitious plans by some following the concept of sustainable procurement, it remains a mystery to most.

If purchasers do not grasp this issue, their roles will diminish from strategic decision-makers to order clerks.

More info

Public sector procurement

The Sustainable Procurement Task Force (SPTF), led by Sir Neville Simms, set out a clear and challenging agenda in June 2006. The report, Procuring the Future, contained key recommendations and a "Flexible Framework", which outlined best practice in this area so organisations could benchmark their current activities and move towards it.

The government response to the SPTF report was issued in March after months of delay. Here is a summary of The UK Government Sustainable Procurement Action Plan and some of my thoughts on it:

- Proposition for leadership through the Department for Environment, Food and Rural Affairs (Defra) minister, acting as "lead minister", and a "permanent secretary champion". The OGC's role embedding sustainable practice in the procurement profession was also highlighted.

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- The Flexible Framework received conditional endorsement. Use of the framework is endorsed for now, pending a "New Procurement Framework" from the OGC. There is no mandatory requirement to apply the Flexible Framework.
 - Climate change mitigation and natural resource protection are the highest priorities. The plan makes reference to targets for energy, water, biodiversity and waste (recycling). There are no specific targets related to environmentally sensitive materials, ethical, social or economic issues.
 - Updated Green Book guidance from the Treasury is expected to provide greater clarity around environmental appraisal during 2007.
 - Defra will steer consulting during 2007 with a view to establishing a Centre for Sustainable Procurement Excellence.
 - Reinforcing mandatory standards for timber, vehicles and use of "quick win" products are to be implemented. But I believe the standards are too narrow and fail to address the breadth of opportunity available.
 - The UK Sustainable Development Commission is to have a watchdog role scrutinising departments' achievement against this agenda in 2008.
 - Particular reference is made to estates, construction projects, capital expenditure, facilities management, IT, energy, travel and vehicles. Clothing, food and health/social care are also referenced.
 - Departments will be expected to consider reputation risk in procurement activities. This important issue is afforded one line in the summary but is not addressed in the body of the document at all.
 - The document's introduction helps to dispel the myth that EU procurement rules are a barrier to sustainable procurement.
 - This report refers to central government departments only, which represent £60 billion of the £150 billion expenditure identified by the SPTF. Local government responded separately two months later.
 - The intent to set cross-department Public Service Agreements to include sustainability is welcome.
- For further information visit:
- Procuring the Future**
- <http://www.sustainable-development.gov.uk/index.asp>
- The UK Government Sustainable Procurement Action Plan**
- <http://www.defra.gov.uk/news/2007/070305b.htm>
- Shaun McCarthy is director of Action Sustainability and chairman of the Commission for a Sustainable London 2012 (www.actionsustainability.com)
- Supply Management Sustainable Procurement Supplement, 21 June 2007*