

Are we setting the pace?

Helen Morrissey looks at the British government's plans for sustainable procurement and how the public sector is being urged to set an example

The recent report issued by the Sustainable Procurement Task Force put forward recommendations aimed at making the UK government a European leader in sustainable procurement. If these recommendations are implemented they will have far-reaching implications on how the public sector approaches procurement in the future.

Public-sector spend totals £150 billion every year and the government needs to demonstrate real value for money. This comes down not only to cost but also the environmental, ethical and social effects of the service or product being purchased. In the wording of the report, 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.

The government is expected to lead by example on both the domestic and international stage. While commitment to sustainable procurement is not widespread throughout business, there are examples of companies that are embracing sustainable procurement. In addition to this, the UK needs to keep pace with its European counterparts in developing a more sustainable future.

The UK government's 2005 Sustainable Development Strategy set itself the target of making the UK a leader in sustainable procurement by 2009. To reach this ambitious goal, a Sustainable Procurement Task Force was set up under the chairmanship of Sir Neville Simms, boss of utility company International Power. The task force includes representatives

from the public and private sectors, trade unions and professional bodies, including CIPS. It delivered its action plan with the aim of ensuring that public-sector budgets are spent in a way that achieves value for money on a whole life basis, while accruing benefits to the organisation, society, the economy and the environment.

A clearer message

Its chairman is clear on how this should be achieved: We have a lot of ground to cover if we are to meet our goal of leadership and other countries are catching up fast, says Sir Neville. We all need to build on the many existing examples of good practice both in the private and public sector - but we need to make the very best the norm. After all, it is very hard to make any sort of case, let alone a robust business case, for unsustainability.

The task force's action plan, *Procuring the Future*, calls on the government to meet the following recommendations:

- Lead by example - Requires the government to provide clear policy leadership from the top on sustainable procurement. Public-sector audit organisations must make clear they are auditing for long-term value for money, with managers being held to account for any failure to meet minimum standards.
- Set clear priorities - Procurement professionals argued that there was too much guidance on sustainability with many conflicting policies adding to the confusion. The task force called on the government to rationalise policies.
- Raise the bar - Existing minimum standards within central government must be enforced and extended to the rest of the public sector, with further standards being developed in areas of priority such as construction, energy and food.

- Build capacity - The public sector must develop its capabilities to deliver sustainable procurement. Purchasers have complained about a lack of guidance on how to put sustainability into practice.
- Remove barriers - The task force noted that whole-life costing was not being put into practice, and that the focus on lower up-front costs and Gershon efficiencies were perceived as barriers to sustainability.
- Capture opportunities - the public sector was advised to engage with suppliers to enable innovative solutions to be developed. The report highlighted 10 priority spend areas. These included construction, health and social work, food, uniforms, waste, transport, paper and printing and energy - all chosen to help the public sector reduce its procurement footprint in carbon, water and waste.

Choosing priorities

To ensure strong leadership for such ambitious goals, the report also highlighted the necessity for government departments with a spend of more than £1 billion to appoint commercial directors to their boards by April 2007, a move that spells good news for the purchasing profession. A number have already done this, including the Department for Education and Skills.

"My overall view is that the sustainable procurement agenda is a major opportunity for public procurement to raise its profile," says Mark Yeomans, task force member and head of procurement at the Environment Agency. "I say this because the task force recommendations are explicit in requiring clear policy leadership from the very top of government.

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"Of note is the recommendation that this should be reflected through permanent secretary/CEO performance contracts and initiatives. If this is accepted by the government it will leave the door open to the top table."

The government is reviewing the action plan and a response is due in the autumn. Within days of the action plan being published, the government appointed cabinet secretary Gus O'Donnell to ensure that every UK government department responds to the report's recommendations. It announced an ambitious pledge to ensure that government offices are carbon neutral by 2012 - meaning that it prevents as many carbon emissions as it produces. Carbon emissions will be reduced by 30 per cent by 2020, and, as well as recycling 75 per cent of waste, it will also be reduced by 25 per cent.

In addition, water consumption is to be reduced by 25 per cent and energy efficiency will be increased by 30 per cent per square metre in government offices.

Proof of commitment

While these aims are encouraging, the government needs to back them up with strong action, says Mallen Baker, development director at Business in the Community (BiTC) and another task force member.

"I'm heartened that the government has set targets for reducing carbon, waste and water in its offices, but actions speak louder than words," he says. "We need to see that these targets are real. The government needs to work out exactly what it needs to do to meet these targets."

There are already several government departments leading the way on sustainable procurement. The Department for Environment, Food and Rural Affairs (Defra) was one of the first government departments to establish its approach and published its procurement strategy in December 2005.

Meanwhile, the Environment Agency has also developed a strategy that includes sustainability as a priority.

"We examine issues such as natural resource use, pollution impacts and waste," says Yeomans. "We also have a development programme with our top 25 suppliers which accounts for 60 per cent of spend to improve their sustainability."

While such strategies can provide a valuable benchmark to those looking to develop sustainable procurement policies, the differences between departments can make it difficult to develop a one-size-fits-all approach. As a result, Baker does not believe the government will introduce legislation to compel departments to meet specific targets but could use the flexibility outlined by the task force to enable departments to develop their own high-quality approaches.

"I don't think the government response will take the form of legislation," he says. "Different approaches suit different departments and, although you need a degree of consistency, buying for the NHS is different to buying for education. The question is, will they deliver? Departments can identify their own areas of excellence and set targets. Just because our framework is flexible doesn't mean it won't work."

One private-sector organisation represented on the task force is accountancy firm KPMG. In addition to using recycled materials, the company recycles its paper and bottles its own still and sparkling water to save on shipping costs. It has also negotiated a contract whereby 90 per cent of the energy it uses is from renewable sources. Supplier surveys contain questions asking about their commitment to corporate social responsibility and to achieving accreditation in the environmental standard ISO 14001.

"This is a long-term issue - if you aren't going down the sustainable route it will cost you in the end," says Tim Stone, chair of the global infrastructure and projects group at KPMG.

What happens overseas?

The pressure to lead in sustainable procurement is not just a domestic issue. While no single country has developed an approach covering both the environment and ethical considerations, many are pushing forward. A survey in 2005 on green policies throughout the European Union ranked the UK as one of the leading green seven when it comes to the environment. But what are other EU countries doing in other areas of sustainability?

Barbara Morton, project manager on the Sustainable Procurement Task Force, based at Defra, points to several examples: There is some really good work being done in the Netherlands in the area of clothing and uniforms, she says, in reference to the processes developed for the public procurement of uniforms.

Other countries praised in the task force report for developing best practice include Norway in implementing clear leadership in sustainable procurement, while Denmark leads the way in green procurement.

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Further afield, progress is being made in Mexico where the Catholic Fund for Overseas Development (Cafod) has launched the *Clean Up Your Computer* campaign to secure fair treatment for workers assembling electronic equipment. People see the computer industry as clean and modern, but sometimes the conditions do not match up to the image, says Anne Lindsay, private-sector policy analyst at the charity.

Research found that staff were forced to work long hours and agree to short contracts that deny them access to paid holidays.

Cafod brought together multinationals such as Hewlett-Packard, Dell and IBM to use their influence in the global supply chain. An industry-wide code was developed in 2004, although Lindsay believes much work needs to be done to bring it up to the required International Labour Organisation standards.

"We recommended the Ethical Trade Initiative base code as a model, as it is so rigorous, but it has not yet been taken on board. However, we are entering into dialogue and, while our aim is to have improved working conditions, we need to be realistic as well," adds Lindsay.

The cost of sustainability

If a strong case is being made for sustainable procurement and some organisations are making a worthwhile attempt at carrying it out, why isn't it universal practice? There are several reasons. Yeomans points out that a strong purchasing function needs to be in place if sustainable procurement is to be attempted in any meaningful way.

"You need to know what you spend, with whom, to have a relationship with key internal clients, to have a supplier engagement programme and good influencing and negotiation skills - yet sadly these core skills can be lacking. Assuming good procurement is in place, the key issue is organisational commitment to sustainability. Is it a lip service exercise? Or is the organisation truly committed?"

This commitment filters through to the issue of strong leadership. While it was highlighted by the task force as important in driving the issue of sustainable procurement, what measures can be taken to ensure these practices become embedded within business structures?

"It's a cultural issue and the initiative has to come from the top, but you need to develop awareness," says Tim Stone.

"At KPMG the procurement people got the message really quickly, but we needed to let everyone know what we were doing. All recycled material is labelled as such and our water has our name on it."

As well as winning the co-operation of colleagues, Stone emphasises the important role that suppliers have to play in helping organisations to go further down the sustainability route.

"You have to give your suppliers the opportunity to change their behaviour," he says. "You have to make it clear what you need and give them regular feedback. If someone has lost a tender on sustainability issues, then you need to tell them." If the government wishes to make real progress in sustainable procurement, any pledges will need to be backed up by decisive action. The challenge provides the ideal opportunity for procurement professionals to take centre stage in implementing the sustainability agenda.

If purchasers are willing to tighten up core practices, actively engage with suppliers and make sustainability a key consideration in purchasing decisions, then they can play an integral part in moving the UK towards a more sustainable future.

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