

seven steps to procurement heaven

how to make a sustainable procurement strategy



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seven steps Forum for the Future project team

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Forum for the Future - the sustainable development charity - works in partnership with leading organisations in business and the public sector. Our vision is of business and communities thriving in a future that is environmentally sustainable and socially just. We believe that a sustainable future can be achieved, that it is the only way business and communities will prosper, but that we need bold action now to make it happen. We play our part by inspiring and challenging organisations with positive visions of a sustainable future; finding innovative, practical ways to help realise those visions; training leaders to bring about change; and sharing success through our communications.

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1 executive summary

There's a rising tide of opinion that recognises that sustainable procurement is good procurement, and that the UK public sector's spend of £150 million has the potential to effect far reaching, lasting change. So naturally, it is simply good practice to integrate sustainability into your organisation's procurement.

Through the research conducted as part of the BEST Procurement project, supplemented with previous experience gained through partnership working with leading public and private sector organisations, and framed using The Natural Step Framework, Forum for the Future have compiled a guide to writing a sustainable procurement strategy. This guide takes you through seven steps, the central five of which are the levels needed for successful planning as recommended by The Natural Step (TNS).

Step one: Gaining high-level support and making a top-level commitment to sustainable procurement are essential starting points to compiling a good sustainable procurement strategy. The integration of sustainability criteria into current procurement practices needs to be backed by top-level management and the commitment needs to be communicated across the organisation. A key element of this can be achieved through using a sustainable procurement policy that includes high-level objectives and sets out how progress will be achieved and measured. It should be signed by the CEO and then communicated to appropriate audiences.

Step two: This involves understanding and communicating the system, or context, of your strategy. To create a robust sustainable procurement strategy you need to be able to define sustainability and therefore sustainable procurement, based on an understanding of global systems (environmental and social). You also need to be clear about the wider procurement systems in which you operate.

Step three: Given the understanding of the context within which your strategy will operate, Step three involves the formulation of a vision of success within this system. The Natural Step provides four principles for a sustainable society that you can use to ensure your procurement decisions contribute to progress towards sustainable development. Being clear about your vision of success will also help you make sense of other objectives such as the Gershon Efficiency Agenda and EU Directives.

Step four: Guiding principles need to be identified for how the objectives identified within Step two will be achieved. All objectives need to be pursued concurrently to avoid unforeseen negative repercussions from decisions. The Gershon efficiency agenda and EU directives, need not be barriers to sustainable procurement provided that they are seen within the wider context.

Three key questions can be asked by any individual in order to ensure that each decision contributes to success:

1. Does this decision move us towards all of our sustainability objectives?
2. Does this course of action provide a flexible platform for future improvement?
3. Does this course of action provide a good return on investment?

Step five: Though this document focuses on the creation of a robust procurement strategy rather than zooming in on the specifics of the procurement process, we recommend that certain high-level actions need to be committed to in your strategy. Our recommendations, which would enable your

organisation to reach Level 3 on the Flexible Framework¹, include using mandatory minimum standards, engaging with SMEs and social enterprises, and incorporating demand and sustainability reviews into your processes.

Step six: It is crucial to realise that you are not starting from scratch. There is a wealth of guidance and some strong tools to help you build and implement your sustainable procurement strategy. Using a tool does not necessarily guarantee success. It is up to you to make them work for your organisation but in Step six we recommend a few resources that you could use.

Step seven: Once your strategy is written it's important that everyone within your organisation, and preferably your supply chain, knows of its existence and is familiar at least with the main messages. They should know who to contact for further information or guidance.

Most importantly, the strategy needs to be translated into real action on the ground, in the day-to-day procurement decisions.

¹ The Flexible Framework was developed by the UK Sustainable Procurement Task Force. It helps organisations benchmark their progress in implementing sustainable procurement. Procuring the Future, the Task Force report which contains the Framework, is available from www.sustainable-development.gov.uk.

the seven steps to procurement heaven



2 introduction

The UK public sector spends in the region of £150 billion a year buying goods and services (HM Government, 2007), with local government spending £40 billion (I&DeA, 2007), and spending on health (including the NHS accounts) amounting to £30.1 billion (NHS PASA et al., 2007). It is vital that this money is spent efficiently, as it has huge potential to affect our social and environmental conditions. If we don't do this, we are not only short-changing the taxpayer, but future generations. Put simply, we need to use our money wisely.

Even the quickest look at what can be achieved by joining up economic, social, and environmental objectives through procurement, otherwise known as practicing sustainable procurement, illustrates the power of this approach. Financial efficiencies can be made whilst looking after the environment by reducing energy and waste costs. Damage to ecosystems can be avoided by cutting out hazardous chemicals, avoiding timber from tropical forests, and procuring low-carbon technologies. Intelligent public spending can also help to retain money in a locality and up-skill the workforce, for instance through engaging with suppliers and encouraging social enterprises².

Since the ultimate objectives of the public sector are to safeguard quality of life and preserve our environment – the public sector's strategic objectives can only be supported by procurement if it is done in a sustainable way.

Seven Steps to Procurement Heaven gives you the low down on how to write your procurement strategy so that your spending can be intelligent, contributing to the greater good, as well as to the good of your own organisation. We urge you not to stick this report on the shelf and think about it for a few years. We cannot afford to wait. Climate change analysts tell us we have eight years in which to take serious action. If the world is not on a path to serious reductions in greenhouse gas emissions by 2015, we can expect a global recession as bad as that of the 1930s only with long term prospects which could undermine the conditions for life on earth (Lynas, 2007). We know that acting now will be a lot less expensive than acting later (Stern et al., 2006). In the UK we may need to reduce our greenhouse gas emissions by 90%, so we need to intensify our efforts *now* and make sure that our spending decisions contribute to achieving this reduction, along with other social and environmental benefits.

what this document does, who it's for and how to use it

what

This document provides seven steps to achieve a robust procurement strategy for your organisation. We outline what needs to be achieved from the first step of establishing top level commitment, through five ensuing steps setting out what needs to be in your strategy, and then recommendations for launching the strategy (step seven).

Seven Steps deals with strategic planning, not the detail of which specific procurement decisions to make. However, *Seven Steps* does set the context for making and coordinating better decisions and

² See New Economics Foundation (2005) *Public Spending for Public Benefit*, and also Social Enterprise Coalition, NEF & SOPO (2005) *More for Your Money: a Guide to Procuring from Social Enterprise* and other resources in step 6

points you in the direction of some useful resources. As with all strategies, once you have written it, it will be up to you to deliver. But using these seven steps will set you off on the right footing.

who

This document was written with public sector organisations in mind, and local authorities in particular. It is the combined learning from our work programmes with numerous local authorities. However, because Forum for the Future work on procurement with partners in both the public and private sector, many of the principles set out in *Seven Steps* will be applicable to all organisations. *Seven Steps* draws upon The Natural Step Framework, which provides a robust way of defining and planning for sustainability that can be used in any organisation, or indeed by individuals.

In particular, this document is for staff who are responsible for developing a procurement strategy. It will also be useful to anyone who wants to know more about what such a strategy, and sustainable procurement, could entail – from the chief executive through to departmental buyers.

how

- by using the executive summary to get an overview of what the seven steps mean in practice;
- you can work through each step in turn, or use the executive summary to see what direction to take and where to start. If you want to create a strategy that adds up to a coherent whole, you will need to go through each of the seven steps. This is because they mesh together as important parts of taking an integrated approach to planning for sustainability;
- besides the explanatory text, we have included material that you can adopt wholesale (or with minor adjustment) into your own strategy. This template style material is in the green text boxes;
- by making use of the supporting resources we identify in step six;

BEST Procurement

Forum for the Future is a partner in the BEST Procurement Programme. BEST Procurement is a European Union funded programme and coordinated by Social Enterprise East Midlands. The programme aims to increase equal opportunities and diversity within the supply chain of the East Midlands public sector through developing the capacity of social enterprise. To do this, the programme seeks to:

- develop public sector procurement strategies which achieve 'blended value' through the integration of economic, environmental and social objectives;
- create market opportunities for the social economy and develop its capacity;
- achieve 'labour market integration' through creating additional and improved employment opportunities for people experiencing discrimination in the labour market;
- develop market intelligence to help identify opportunities for sustainable procurement through social enterprise;
- collect evidence to inform and influence relevant policy at a strategic level.

Forum for the Future focused mainly on the first of these aspects. The achievement of 'blended value' through procurement is the rationale that drives 'sustainable procurement' in which environmental,

social and economic objectives are pursued concurrently. This document sets out key principles for the development of procurement strategies that can achieve 'blended value'.

The recommendations of this report are grounded in extensive research into the policy context and reality of procurement practice in the UK that has been conducted as part of BEST Procurement (Forum for the Future, 2007), in addition to further research and practical work with numerous public sector organisations. This document also benefits from the learning derived from our working with three local authorities in the East Midlands as part of the BEST Procurement programme: Nottingham City Council, Northamptonshire County Council, and North-West Leicestershire District Council.

The Natural Step Framework³

The Natural Step Framework (TNSF) provides a rigorous framework for sustainability planning and provides the science-based foundation to the approach we set out for compiling a strong sustainable procurement strategy. TNSF was developed by the international charity of the same name, The Natural Step (TNS). Forum for the Future works with TNS to spread good practice in the UK.

TNS takes a systems approach to analysing sustainability issues and designing successful strategies. It takes a scientific look at the ways in which it is possible to overwhelm the environmental and social system on which we all depend. By identifying the basic ways in which we overwhelm the system, TNS deduces a simple set of guidelines for a sustainable society. These are the 'four system conditions' (see Step three).

To enable us to apply this knowledge, this learning is incorporated into the TNS Framework that draws on best practice for planning in complex systems. So when it comes to thinking about how to achieve sustainable procurement, TNS gives us a clear definition of what 'sustainable' is and a framework we can use to make the leap from unsustainable to sustainable procurement. It helps maintain a strategic approach that is robust and complete, and can be used throughout strategy development in order to ensure alignment. This document sets out how to use TNS to create a robust sustainable procurement strategy.

five levels form the core of *Seven Steps*

The five levels of TNS that form the central steps of *Seven Steps to Procurement Heaven* identify different tiers of planning which need to be addressed if we are to move towards a successful outcome.

Firstly, we need to understand the system in which we operate. Secondly, we need to define success within the system. Thirdly, we need strategic principles to guide our efforts towards success. Fourthly, we must identify the actions needed to achieve success. And finally, we need to select and apply the appropriate tools and approaches to support our actions.

³ For further information on TNS please see Waldron et al. (2002) or contact The Natural Step international (<http://www.naturalstep.org/com/nyStart/> or email info@thenaturalstep.org) or TNS UK (http://www.forumforthefuture.org.uk/business/naturalstep_page83.aspx or Tel: 01242 262744)

The five levels all need to be addressed and should not be confused with each other – the method is not the same as the objective. Planning often fails due to a lack of clarity on the direction of travel, how we are trying to get there, and which methods to use in our actions and to monitor progress.

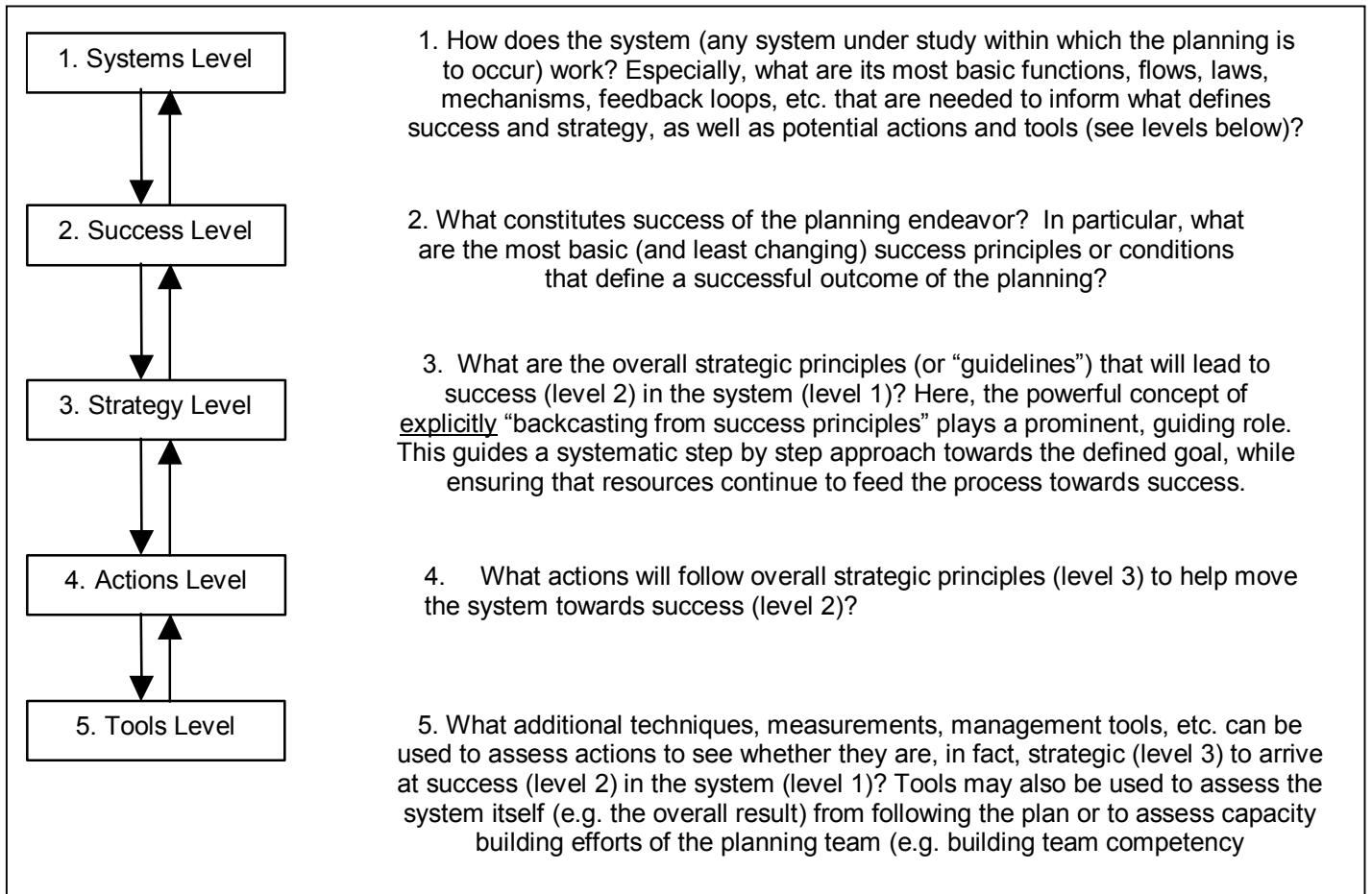


Figure 1: Generic five level framework for planning and decision-making in complex systems The questions on the right guide application of the framework by prompting thinking about each level
Source: Waldron et al (2006)

definitions

procurement is the process of acquiring goods, services and capital projects from third parties. It doesn't just cover the acquiring, but also the disposal, termination or completion of these goods, services and projects. The procurement process spans the whole life cycle from initial concept through to the end of the useful life of the asset and its disposal. Procurement is definitely *NOT* 'purchasing' – a term which gives the impression of a 'purchaser' buying things as and when they need them. Procurement is more strategic, and should involve clarifying the need for a product or service and considering the most beneficial way of meeting that need.

sustainable development is a process that enables people to realise their potential and improve their quality of life, now and in the future, whilst protecting the environment. Sustainable development draws together and makes sense of a great variety of social, economic, and

environmental issues, such as ethics, equality, health and safety, climate change, biodiversity, and economic development. Sustainable development policy should include long-term planning, consideration of impacts beyond the local area (i.e. regional, national and international impacts) and the integration of social, economic and environmental issues.

The UK sustainable development strategy, *Securing the Future*, has two fundamental aims - to achieve 'a strong, healthy and just society', and to do so whilst 'living within environmental limits'. The strategy seeks to deliver these aims through the *means* of the economy, good governance, and sound science (see Figure 2). These means are not objectives, but crucial factors to success. Sustainable procurement is a key element for bringing about a strong society within environmental limits.

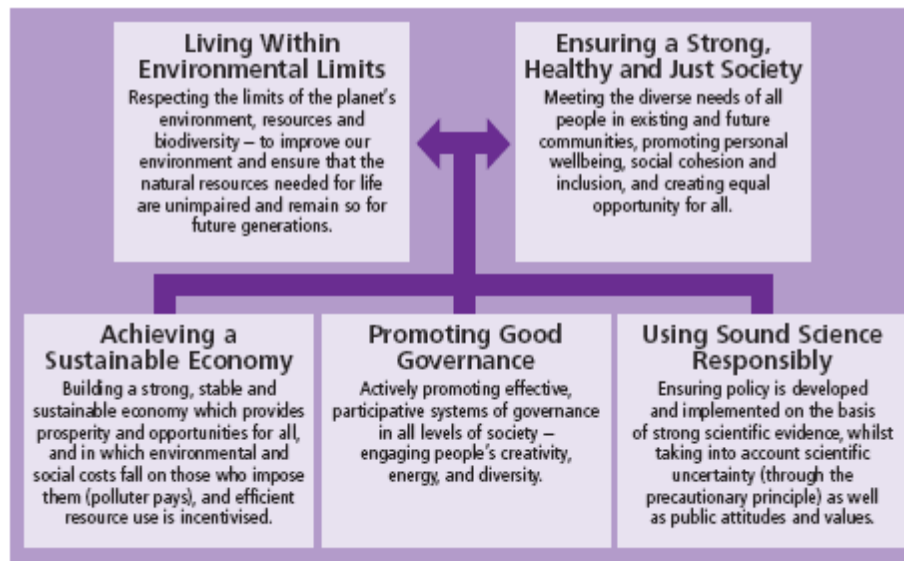


Figure 2: UK Government guiding principles for sustainable development
(Source: *Securing the Future*)

Sustainable development removes the risk of adverse impacts and spiralling costs from actions that degrade the environment and undermine people's needs. Because it moves us towards sustainable living, it provides the strategic context for risk management.

sustainable procurement is a key method for delivering an organisation's sustainable development priorities. It is about taking social and environmental factors into consideration alongside financial factors when making procurement decisions. This amounts to a joined-up approach to procurement.

'Sustainable' doesn't mean the same as 'green'. The environment is an essential aspect of sustainability, but it is not the whole picture, so it is not enough to have a 'green procurement policy'. It is essential to avoid damaging impacts to air, soil, water, and wildlife, but we must also consider social issues such as getting people into work, ensuring fair labour conditions, and cultivating community wellbeing.

sustainability is the goal of sustainable development. An activity is sustainable if it can be continued in perpetuity without undermining the environmental and social system that we depend

upon. The TNS System Conditions provide a basis for determining if an activity is sustainable (see above and Step three).

why good procurement is sustainable procurement

unsustainable procurement makes no sense

Public sector organisations aim to deliver sustainable development, whether explicitly or not, through the creation of vibrant communities and a healthy environment. Sustainable development is a cross-cutting theme across the mandate of the public sector – from the UK sustainable development strategy, to community strategies, to sustainability appraisal of plans and projects. Failing to procure in a sustainable way undermines the whole purpose of the public sector, whereas success breeds success.

from false efficiency to the real thing

“Sustainable procurement – in short using procurement to support wider social, economic and environmental objectives, in ways that offer real long-term benefits, is how the public sector should be spending taxpayers’ money. Anything less means that today’s taxpayer and the future citizen are both being short-changed. The message from the Task Force is simple: this is worth doing, there are clear benefits, it can be done, it is not difficult, it will not cost more in the medium term and will show real dividends in the long term.”

Sir Neville Simms – Chairman, UK Sustainable Procurement Taskforce 2006

The public sector has a responsibility to be efficient and provide best value to the taxpayer. Although the Gershon efficiency agenda is often held up as a barrier to sustainable procurement, the Government is clear that efficiency and sustainability can and should be pursued concurrently (see Step four). Best Value requires ‘the optimum combination of whole life costs and benefits to meet the customer’s requirement’ (ODPM, 2002). Local authorities can decide on their requirements according to sustainable development principles and then ensure they are delivered in a cost-efficient way.

The UK public sector spends £150 billion each year on goods and services (HM Government, 2007). This vast amount of money can either be spent in a way that aligns with strategic objectives, or in disjointed ways that can result in different streams of public spending undermining each other. Forum for the Future’s Ben Tuxworth puts it like this ...

‘[it is a false efficiency argument that persuades] a hospital in [one area] to buy the cheapest food it can – from a provider [in a distant area]. The side effects include air pollution, road congestion, land take and loss of jobs. Cost savings justify a decision by a local authority to cut its park staff, along the way losing an informal police force, boosting the need for labour saving machinery and adding to the unemployment Figures. Spend on new roads to reduce journey times gets more people in their cars, driving up obesity, carbon dioxide emissions and noise pollution.’ (Tuxworth, 2005)

sustainable procurement is an opportunity

Old-fashioned low-cost purchasing generally amounts to giving with one hand whilst taking away with the other, as Ben Tuxworth’s example above and other Forum for the Future research has shown

(Forum For The Future, 2006). It is clearly better to utilise public spending to achieve joined-up public benefits. The New Economics Foundation (NEF) illustrates the startling benefits that this kind of joined-up spending can bring, pointing out that if 10% of everyday spending was directed into the country's most disadvantaged areas, this would amount to 17 times the UK's annual spending on regeneration (NEF, 2005).

Sustainable procurement means making the most of opportunities – achieving multiple objectives through each activity. Procurement shouldn't be just a back-office function, which supports the delivery of services. If done well, procurement can play a strategic role in contributing to a wide range of objectives.

do you need a policy or a strategy?

Different people often mean different things when they use the words 'policy' and 'strategy'. To some, a policy is a statement of intent and a commitment a pledge to operate according to particular principles, or in pursuit of a specific goal. In this case, the policy is usually very brief and aspirational. Such policy is likely to be delivered through a strategy or action plan. For example, a sustainable procurement policy could commit an organisation to making its procurement sustainable, and be made operational through a sustainable procurement strategy. This is how we interpret policy and strategy in this document. This is consistent with the approach by some public sector organisations that take a formal approach to defining policy – for instance, by requiring policies to be endorsed by cabinet and owned by key personnel who oversee the development of implementation strategies.

However, policy and strategy can be used interchangeably, which is not surprising when dictionaries sometimes cite them as synonyms. Therefore, some organisations will have a policy that not only commits to a general direction of travel but also sets out the means by which it intends to reach the destination, just as one might expect a 'strategy' to do.

Whether your organisation needs a policy or strategy depends on your definitions – but a statement of commitment, backed up by a carefully planned programme of steps to achieve your objectives is essential. This document gives you the framework on which to build these elements – whatever you call them.

making sustainability integral

A truly integrated approach to procurement combines environmental, social, and economic considerations into *all* procurement. It makes no sense to have a conventional procurement strategy and a separate sustainable procurement strategy. Nor does it make sense to have a procurement strategy with a discrete section on sustainability that competes with the other sections. Compartmentalising sustainability in these ways sends out the message that all procurement should continue to operate on a 'business as usual' basis (that is, unsustainable) and that lip-service is being paid to sustainability. Sustainability must be integral to procurement, not an optional extra. In today's world, high quality professional procurement should be synonymous with sustainable procurement. As the Sustainable Procurement Task Force highlighted, "sustainable procurement is good procurement" (SPTF, 2006).

Sustainable procurement should also be a synonym for strategic procurement – which incorporates long-term thinking into every day good practice. This professional approach to procurement could be referred to as ‘integrated procurement’, ‘sustainable procurement’, ‘good procurement’, or ‘strategic procurement’. But remember - the name is not as important as the substance!

3 step one: secure top level commitment

The first step to procurement heaven is known as TLC – top-level commitment. In order for procurement staff to feel empowered to deliver more sustainable solutions it is essential that their efforts are supported by top-level commitment. Lack of internal leadership on sustainable procurement can hinder some organisations, whereas strong leadership can make all the difference (SPTF, 2006).

The Sustainable Procurement Task Force (2006) recognised this, and in their first recommendation, urged the Government to 'lead by example' and 'make sustainable procurement a leadership priority and clarify ownership within government'. Whilst this demands commitment from leaders within central government, it also requires commitment from leaders within individual organisation if it is to translate into practice. Accordingly, Level 1 of the Flexible Framework requires a 'simple sustainable procurement policy [to be] in place, endorsed by the CEO.'

Your organisation needs to state its commitment in a way that is succinct and can be communicated as a stand-alone policy or at the beginning of a more comprehensive strategy document. The policy should be a living statement of commitment that informs day-to-day operations, is communicated effectively, and reiterated where appropriate. It has to be formulated and monitored with the involvement of procurement professionals. It must *not* languish in an obscure computer folder, to be dug out only if the organisation is asked for its policy on procurement!

We suggest starting with an aspirational 'overall aim' that can be used when a very brief statement of commitment is required. We also recommend committing to four overall objectives (based on The Natural Step System Conditions – see Step three) and specifying how these will help address key issues. The scope and implementation of the policy should also be covered, and the policy should be signed by the CEO.

sustainable procurement policy

commitment

The organisation is committed to ensuring that goods and services purchased:

- are manufactured, delivered, used and disposed of in a manner which minimises their social and environmental impacts and which maximises their social and environmental benefits
- deliver long term value for money for the public.

key sustainability objectives

Buying in a sustainable fashion will offer the organisation potential whole life cost savings, support its commitment to Good Corporate Citizenship, and ensure that it maximises its contribution to delivering the objectives of the Council Delivery Plan and Community Plan with every pound that it spends.

By practising sustainable procurement the organisation will work towards achieving four overall objectives of reducing and eventually eliminating the organisation's contribution to systematic:

1. increases in concentrations of substances taken from the Earth's crust;
2. increases in concentrations of synthetic substances produced by society;
3. physical degradation of nature;
4. undermining of the capacity of others to meet their needs.

key issues

The following key issues will be addressed in order to achieve the above objectives:

- Minimising climate change by:
 - reducing fossil fuel use (objective 1);
 - reducing emissions of synthetic greenhouse gases (objective 2);
 - and reducing deforestation and other habitat loss which contributes to climate change (objective 3) the 'and' point should go at the end. Having it in the middle of the bullets interrupts the flow. Perhaps keep the three climate change objectives 'til last?
- Reducing usage of hazardous materials (objective 2)
- Protecting habitats and wildlife (objective 3)
- Improving public health and quality of life (all objectives)
- Increasing levels of employment, skills and equality of opportunity in the local area (objective 4)
- Ensuring fair pay and working conditions through the organisation's supply chain (objective 4)
- Reducing waste (objectives 1, 2 & 3).

measuring achievement

- The organisation will define measures relating to each of these objectives.

Insert here:

- *The key targets that you are committed to. These can be high level or could contain*

specific detail under key issues, e.g. 'To achieve Level 3 on the Flexible Framework by 2009', or 'To reduce CO₂ emissions by 3% annually', or 'To phase out the use of hazardous chemicals or unsustainable timber'.

scope

This applies to all purchasing activities of the organisation, including the commissioning of public services and procurement of new and refurbished buildings.

Insert here:

- *How the aim will be delivered upon. This could simply be a signpost to the more comprehensive Sustainable Procurement Strategy.*
- *Who is responsible for delivery? This must be kept up to date and should demonstrate commitment and accountability, for instance through giving responsibility to departmental leads, supported by their procurement champions and relevant staff line-managers.*

signed by the CEO

4 step two: understand the system

Now that you have a high level written commitment to sustainable procurement with firm backing from top-level management, it is vital to understand the context within which your sustainable procurement strategy will operate once it is written and implementation is underway.

There are different approaches to strategy writing. Some organisations tend to use strategies to mandate actions without adequately explaining the reasoning behind them. We believe that a good strategy should explain the system in which it operates. This helps us to understand the rules of the game so that, during Step three, we are equipped to understand what success would entail within our system.

By incorporating this context into the strategy document, it will enable procurement officials to make more informed decisions and feel more empowered. It will also convey a real sense of purpose, rather than just being “yet *another* head office initiative” that has emerged from a closed meeting.

It’s crucial to realise that the system within which the strategy will operate is much more than what you can and cannot do within the current rules and legislation. Good and bad decisions can still be made within the boundaries of the law. By considering the wider systems, better decisions will be made.

the social and environmental system

Having a sound understanding of the way our social and environmental system operates is essential for success. This may not immediately strike you as important. Many do not immediately see the connection between their day-to-day decisions and the wider world, especially when it is a decision between two types of sticky tape. However, where that tape has come from, how it has been made, how it will be used and then how it will be disposed of, all contribute to the way in which the social and environmental system can function.

The Natural Step (TNS) provides a clear explanation of the fundamentals of the social and environmental system. This is an important aspect of Step two (which corresponds with TNS Level 1) because it sets out a scientific understanding of the main components of the socio-environmental system in which we live. Figure 3 below illustrates the system.

three main components of the global system

There are three main components of the system that we need to consider: the earth’s crust, the biosphere, and human society.

The earth’s crust is the rocky outer layer of the planet. The earth’s crust contains our supplies of fossil fuels, metals, and other minerals.

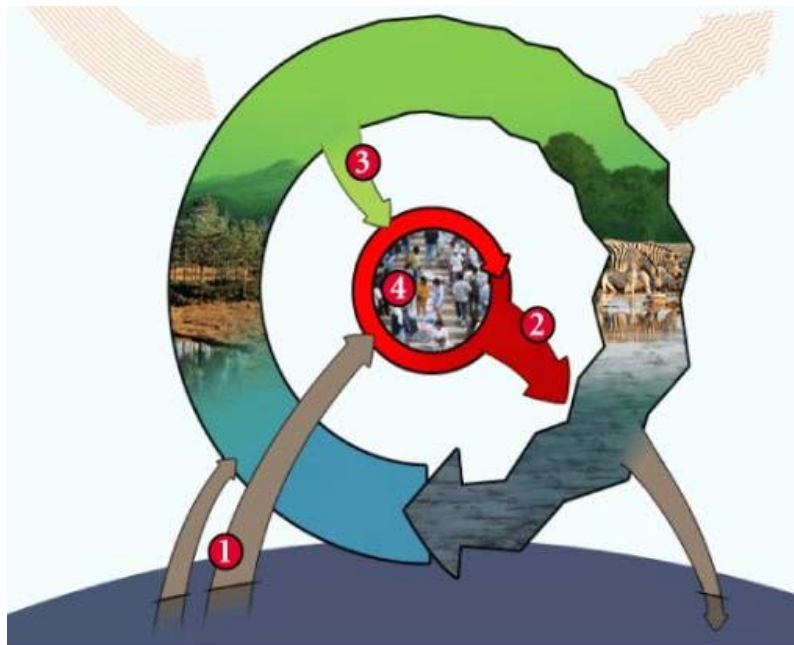
The biosphere is the part of the earth in which life occurs. It includes surface rocks, soils, water, and the biological diversity that make up life on earth.

Human society is a subset of the biosphere since we are part of life on earth and depend on the rest of the biosphere for our survival.

flows within the global system

In order to understand how the system works, we need to understand the fundamental flows of material and energy. The system is open to energy (the red striped arrows), which enters from the sun and eventually escapes into space. Incoming solar energy drives the photosynthesis of plant matter and subsequent ecological cycles of the biosphere. There is a natural exchange of materials between the earth's crust and the biosphere – for instance as rocks turn to soil, or as living matter dies and decomposes into the soil and gets turned into rocks.

Human society (4) affects the system by extracting materials from the earth's crust (1) and also from the biosphere (3). Society also releases synthetic chemicals (2). It is these processes that can stress the biosphere if they exceed nature's capacity to deal with them. The damage to the biosphere is depicted by the degeneration of the circle. Society depends on a healthy biosphere for the very basics of life (drinking water, food, and so on) and to produce the products that are integral to maintaining our quality of life.



key:

- 1 material flows from earth's crust into biosphere and society
- 2 material flows from society into biosphere
- 3 material flows from biosphere into society
- 4 society and the flows within it

Figure 3: Overview of the system
(Source: © The Natural Step)

how is this relevant to procurement?

What we procure, how we procure it, how it's used and how we dispose of it are all actions that are directly linked to the flows within the socio-environmental system illustrated in Figure 3.

Looking at how something is made, for instance; what materials it is made of, what process is used to manufacture it, will show you how much material is flowing from the earth's crust (flow 1 in Figure 3) and biosphere (flow 3). If a bottle that you buy is made from recycled plastic, it will have caused less oil to be extracted to provide raw materials than a bottle made from virgin materials. Buying a table made from wood from a sustainably managed forest will ensure that, whilst that wood has been extracted, it will be replaced and is not extracted at a rate faster than the forest can be replenished.

Purchasing a t-shirt made by an organisation that upholds strong labour principles and provides at least a living wage for their employees will ensure that the flows within society (flow 4) are more positive than if the t-shirt was made by a less ethical company.

How we dispose of this product and how frequently this disposal occurs will determine the flow of materials from society back into the biosphere (flow 2). Some products use materials that are difficult for nature to deal with, usually those that are synthetic. This means that the value of the materials and energy that went into the product cannot be retrieved through natural processes like decomposition, thus breaking the cyclical nature of the system.

It is not difficult to see that some flows are beneficial to the system (e.g. using compost to nourish soils), and some are detrimental to the system. Step three will explore how your sustainable procurement strategy can ensure that your organisation's procurement does not lead to the degradation of this essential system.

the procurement system

It is essential that a sustainable procurement strategy includes a thorough understanding of the current relevant legislation and policy. The strategy also needs to identify and draw upon best practice so that you and your organisation don't have to struggle to overcome barriers already successfully tackled by others.

Some of the 'drivers' or elements that shape the 'procurement system' that you will likely want to include are covered below. However, this is not an exhaustive list and the drivers will affect each organisation in different ways.

external drivers

There are a number of pieces of legislation or mandates affecting procurement that must be adhered to. These must all be considered when writing and implementing your strategy. They include:

- Efficiency targets from the Government's Spending Review 2004 (often referred to as the 'Gershon Report') and the updates thereof
- EU regulations and OGC interpretations
- Best Value

In terms of national strategies, we recommend the report by the Sustainable Procurement Task Force, *Procuring the Future (2006)* and the response to this document within the *UK Government*

Sustainable Procurement Action Plan (2007). They are consistent with *The National Procurement Strategy for Local Government* but provide much needed progress on sustainability.

You may want to consider the responses to the work of the Task Force written by the NHS and Local Government Association respectively, depending on which type of organisation you work for.

Pointing out the potential importance of sustainable procurement in future external assessment provides another big incentive to adopting good procurement practices. At the moment, there are discussions on whether sustainable procurement indicators will become part of the CPA/CAA, and the Sustainable Procurement Task Force has recommended that a target be set for public sector organisations regarding their activity against the Flexible Framework. The specific indicators that are measured against should be included within your strategy, in the section on monitoring and measurement.

internal drivers

Besides national and European legislation and policy, you will need to establish a local context for your procurement strategy. By doing this, procurement officials can understand how their decisions contribute to overarching goals that are not simply about short-term financial savings but also about tangible benefits to the local community, environment, and economy.

The Community Plan and Corporate Plan can be referred to but they should in turn be solid in terms of their sustainability coverage. Using the 5 Levels of The Natural Step (the principles behind Steps two to six in this document) during the formulation of all strategies helps to ensure that all strategies are aligned and working towards common sustainability objectives, rather than compromising each other. Where strategies are not robust we recommend the Natural Step Framework be used to supplement and strengthen them.

Remember to clarify the relationship between different strategies, making it clear how they come together to provide the impetus behind sustainable procurement. The text box below summarises the key strategies:

The strategic context for integrated procurement

1) Sustainable development objectives

UK SD Strategy: A strong, 'healthy and just society within environmental limits'

2) Community Strategy

Local vision of a thriving county that succeeds on the above sustainability objectives

3) Corporate Plan

How the Council contributes to the achievement of the Community Strategy objectives

4) Procurement Strategy

How procurement contributes to the achievement of the Community Strategy objectives, through the achievement of the Corporate Plan objectives.

the organisation's procurement structure

When it comes to the day-to-day delivery of procurement work, clarity is important in terms of how the procurement function is structured within the organisation. A diagram could set out how procurement is structured, for instance the relationship between the elected member champions, chief executive, central procurement unit, procurement family, and wider staff involved in procurement and service delivery.

Different authorities have different procurement structures. Forum for the Future (2006) research has shown that having a devolved procurement structure can present a problem for local authorities. Where buying decisions are spread across a range of staff and departments, procurement practices may be inconsistent and it is more difficult to achieve efficiencies through an aggregated approach.

Councils should consider establishing a central procurement unit that can achieve efficiencies of spend whilst driving up environmental and social performance.

If this approach undermines the ability of departments to respond effectively to their clients' needs, the council could consider a 'semi-devolved' structure (as Nottingham City Council have done). In this type of arrangement, the central unit should manage priority contracts where financial, social and environmental risks are high, and they should provide guidance to departments on more general procurement matters. However, with such an arrangement it will be important to ensure that flexibility does not come at the expense of across-the-board good practice.

Needless to say, it's essential that a clear guide to roles and responsibilities is included in the strategy or the accompanying action plan. Once the lines of accountability are widely understood, any barriers can be swiftly tackled. This is integral to the successful implementation of the strategy because, if one member of the procurement team finds a task too difficult under the new strategy or action plan, they will rapidly revert to the 'old way of doing things'. This can be avoided by making it clear where that member of staff can go for help or how the task can be made easier. Crucially, this will ensure buy-in.

size of the procurement world

The council should identify its spend on procurement. This will illustrate the financial 'size' of the system and will help to convey the importance of good procurement through the power of the organisation's spend. This could be augmented by considering the amount of spend that is currently retained in the local economy. Together, these Figures will provide a benchmark, from which the sustainable procurement strategy will move forward.

5 step three: define success

Successful planning depends on understanding success. Instead of thinking about how the systems identified in Step two act to constrain us, it is more helpful to explore the opportunities that they present. A positive vision inspires quality work and outcomes. Working towards this vision helps people to be proactive in using procurement to deliver optimal social, environmental and economic benefits. Without this guiding compass, procurement can become lost, sacrificing its direction and taking a reactive approach to government stipulations and missing out on the strategic potential of procurement.

During Step two we set out key aspects of the system in which procurement operates, with regards to the biosphere (including society), and also of the procurement system itself. Step three will build upon this by defining success. It considers what needs to be achieved in order to succeed in the systems we live and work in. Once again we can do this by looking at the fundamentals of the biosphere and then to the legislative, economic and other requirements of the procurement system.

environmental and social success

Your strategy needs to set out a clear vision of success in which procurement operates within the capacity of the system. A strong vision will enable your organisation and the individual procurement officers to plan and deliver their work as steps towards the achievement of success.

Currently, the flows within the global system explained in Step two are causing a decline in life supporting resources, yet society demands an increasing supply of these resources (Figure 4).

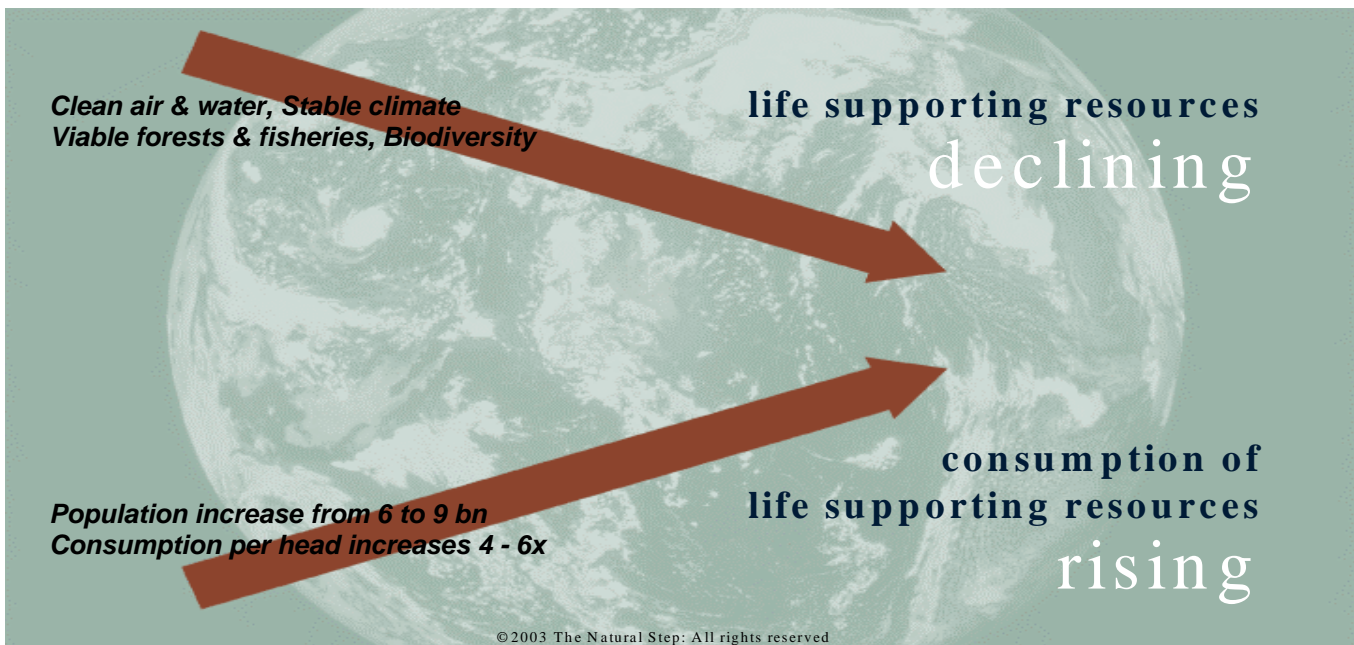


Figure 4: The resource funnel (Source: The Natural Step)

The four sustainability objectives of The Natural Step

In a sustainable society, nature is not subject to systematically increasing...



... **concentrations of substances from the Earth's crust**
(e.g. heavy metals, or greenhouse gases from burning fossil fuels)



...**concentrations of substances produced by society**
(e.g. persistent organic pollutants, or volatile organic compounds)



...**degradation of nature by physical means**
(e.g. habitat loss, or over-harvesting)



And in that society, people are not subject to conditions that systematically...
...**undermine their capacity to meet their needs.**

Figure 5: 4 Sustainability objectives or 'System Conditions' (Source: The Natural Step)

The Natural Step (TNS) identifies 4 ways in which the environmental and social system can be overwhelmed. These are the fundamental, 'upstream' causes of all problems in the system. By putting a 'not' in front of these, we can clarify what we have to avoid doing in order to safeguard the system and ensure we are not degrading it. This gives us the four 'system conditions', which we can use as our core 'sustainability objectives' (see below).

The four sustainability objectives are the result of scientific research to identify comprehensive and non-overlapping principles that define sustainability. They represent the constraints within which we must operate in order to sustain the biosphere and society. They are the rules of the game, but they do push out ingenious and creative solutions.

Like Step two, sometimes it's difficult to make the immediate link between your procurement activity (or using the previous example, choosing sticky tape) and the rather scientific language of the sustainability objectives above. But they are directly linked. By ensuring that the sticky tape that you choose is made from recycled materials, you are not causing as much oil to be drilled for use in its manufacture. As a result you are ensuring that nature is not subject to systematically increasing concentrations of substances from the Earth's crust (Objective 1).

You and your organisation will already be working towards meeting aspects of these sustainability objectives. For instance, by following legislation and only procuring refrigerators that do not contain CFCs you are contributing to the achievement of Objective 2. If all of your wood products are derived from Forest Stewardship Council schemes, you will be contributing to the achievement of Objective 3. You may be procuring from social enterprises, which is often a clear way of contributing to Objective

4. By pursuing these objectives concurrently, they reinforce each other. For example, by procuring energy efficient appliances, you reduce your greenhouse gas emissions (Objective 1) and thereby make a contribution to reducing the future impacts of climate change on peoples' lives.

Satisfying all four objectives fully is a challenge, but it is essential that we all make a start on contributing towards their achievement. The actual guidance or good practice that can be used in ensuring that this can take place will be established during Step four.

procurement success

As was the case during Step two, it is essential to address the elements of society that control the flows with the system

The key thing at this stage in the strategy writing process is to address the requirements of the 'givens' in the system identified in Step two including:

- efficiency targets from the Government's Spending Review 2004 (often referred to as the 'Gershon Report')
- EU regulations and OGC interpretations
- Best Value

and to develop a vision of success that satisfies these requirements whilst using procurement strategically to deliver Community Strategy objectives. As the Sustainable Procurement Task Force made clear, sustainable procurement is simply good procurement practice (SPTF, 2006). Sustainable procurement is the only way to achieve *real* best value, and done well, it not only becomes a supporting activity but also a strategic way of delivering community (and therefore corporate) objectives.

The other system flow affecting factors identified in Step two (such as national strategies, internal practice etc.) should also be incorporated into this vision of success. It is essential that all objectives affected by procurement practice are not only understood (Step two) but also a clear vision is provided of what successful delivery of these objectives will look like. Ensuring the vision is familiar to all will enable procurement professionals to make informed decisions that do not undermine objectives.

linking the pieces

For a strategy to work it's crucial that its components are not treated individually but as a whole. This prevents any activity that aims to achieve one objective from undermining the achievement of another. Your strategy needs to achieve all your organisation's objectives without having to compromise.

For instance, here at Step three it should be clarified that Gershon efficiencies need to be secured but not at the expense of environmental and social quality – instead, efficiency needs to be integral to the way environmental and social considerations are pursued, and Gershon targets need to be met alongside strategic (environmental and social) targets.

6 step four: establish guiding principles

Having established key aspects of how the system works (Step two) and the organisation's objectives for being successful within the system (Step three), we now need to clarify some guiding principles on *how* to achieve our objectives. Welcome to Step four.

The guidance provided in Step four should be treated merely as guiding principles that signpost readers to detailed resources providing more information. In practice this means how to promote sustainability within EU law and how to identify efficiency savings whilst incorporating sustainability, for instance. These resources should be appended to the strategy. See resources section/Step six for some useful starting points.

The strategy must specify the ways and means it will employ to move towards success. To achieve this, we recommend the following three things:

1. identifying good practice frameworks which provide guiding principles for progressing sustainable procurement;
2. settling on key questions which should be asked during procurement processes in order to assist strategic decision-making;
3. harmonising external and internal procurement drivers.

good practice principles for progressing sustainable procurement

The Flexible Framework⁴, and the Sustainable Procurement Assessment Framework (SPAF)⁵

As part of producing the National Action Plan 'Procuring the Future' the UK Sustainable Procurement Task Force, constructed the 'Flexible Framework' which is a one-page route map to improving sustainable procurement. This tool has been adopted by Government within the UK Government Sustainable Procurement Action Plan (2007).

The Flexible Framework outlines the general measures an organisation needs to take according to five key themes that can be adopted as key strategic areas:

- people
- policy, strategy and communications
- procurement process
- engaging suppliers
- measurements and results.

⁴ The Flexible Framework can be found in the UK Government Sustainable Procurement Action Plan (2007) <http://www.sustainable-development.gov.uk/publications/pdf/SustainableProcurementActionPlan.pdf>

⁵ The SPAF can be found on the Welsh Procurement Routeplanner <http://www.buy4wales.co.uk/PRP/index.html>

Whilst the Framework does not prescribe how to implement its recommendations, it represents a good overall model endorsed by central government and one that is likely to be increasingly regarded as the guide and benchmarking tool for sustainable procurement.

In Wales, Value Wales (part of the Welsh Assembly Government) have worked with Forum for the Future to develop an assessment tool, the Sustainable Procurement Assessment Framework (SPAF) that predated the Flexible Framework; it was originally produced in 2004 and has since been updated (2006) to be consistent with the Flexible Framework approach. This is the route-map for Welsh organisations, to improve their overall sustainable procurement performance, and goes into a greater level of detail on content and strategic planning than the Framework. The SPAF also contains an additional section on management issues that is not within the Flexible Framework.

Both the SPAF and the one page summary of the Flexible Framework can help you to understand how to successfully achieve the objectives identified in Step three. It will enable your organisation to gauge the current state of its procurement and what needs to be done to improve.

key questions to ask during procurement activities

In order to ensure all procurement activities contribute to the strategic success that you defined in Step three, several questions should be asked when planning strategy and delivering actions.

question 1: does this decision move us towards all of our sustainability objectives?

All decisions should pass through the filter of the four sustainability objectives outlined in Step three. Failure to do this results in pursuing progress in some areas whilst regressing in others. By considering the implications of a given decision for the environment and society, we ensure that procurement supports human needs without undermining the system on which we depend.

A good example is the case of CFCs. In previous years, most refrigerators utilised CFCs as part of the cooling system. CFCs were considered advantageous because they are essentially non-toxic and do not accumulate in living creatures. However, they do contravene the second sustainability objective on account of being synthetic chemicals that systematically accumulate in the atmosphere. Consequently, the release of CFCs resulted in unforeseen damage to the ozone layer. Had we paid diligent attention to all four sustainability objectives simultaneously, CFCs would not have made it through our filter and the world could have avoided the problem of ozone depletion by deciding against using CFCs in refrigerators and other devices. The sustainability objectives should be part and parcel of delivering all aspects of the Flexible Framework/SPAF.

If a decision is identified as supporting one sustainability objective whilst undermining another, we should look for ways to resolve the trade-off. If a solution cannot be found which satisfies all four sustainability objectives, we must do what we can to minimise the trade-off and work towards a preferable solution in the future.

question 2: does this course of action provide a flexible platform for future improvement?

A flexible platform should provide opportunities for future progress. We need to be careful not to waste time and money on activities which could prove to be dead-ends – it is better to keep our eyes on the vision of success and consider our actions as stepping stones for getting there.

This could apply to selecting the technologies of the future. If we were to procure a large scale renewable energy contract, we would be wise to invest in a technology with a long term future or with upgrade potential, or able to complement future technologies.

A flexible platform does not necessarily have to be a perfect solution. It is better to make progress but not achieve perfection straight away, than to do nothing. Flexible platforms help us to ensure we build momentum through our decisions and actions. We have to do the best with what we can, and continue to do so as things improve. We do not quibble about investing large sums in car technology or computer technology, even though we know that as soon as we have signed the contract there will be more attractive technology available. It's essential that we don't hold back on sustainability innovation because we are waiting for technological perfection. For instance, we could choose to procure wind turbines now even though we know that their design will continue to improve. This decision could reflect the need to act now as well as the need to stimulate future innovations that we can adopt in due course – assisted by the returns on investment secured in the meantime (see Question 3).

question 3: does this course of action provide a good return on investment?

Financial realities have to be taken seriously. It makes sense to go for options that are cost effective or will create income. This helps to generate resources for ongoing investment and continued progress towards complying with the four sustainability objectives. Whilst progressing long-term projects it is also worthwhile picking off 'low hanging fruit' that bring a good financial return for little effort, and help to build momentum.

Good examples of 'invest to save' include the Woking Borough Council story of procuring low carbon energy solutions out of an initially small 'invest to save budget', and reinvesting energy savings into ongoing projects until millions of pounds have been invested in a self-sustaining cycle⁶. This kind of model is now being applied to procuring energy efficiency improvements and low carbon energy provision in London, by the London Energy Savings Company (run by the London Climate Change Agency in partnership with EDF Energy).

Asking this question enables us to consider the financial viability of our actions both now and into the long term, thereby benefiting from whole-life-costing, which can show that initial investments can be repaid by improved performance. Asking this question helps to ensure we perform efficiently as required by the Gershon agenda (see below).

harmonising external and internal procurement drivers

The questions above are aimed at ensuring that procurement decisions are sustainable in terms of their economic, as well as their social and environmental impact, and that these impacts are not considered in isolation. In this way they ensure that government rulings are supported in a way that contributes to the vision and is not detrimental in the long-term. By adopting this approach,

⁶ See www.woking.gov.uk

organisations can actually use central government rulings to support them in achieving their vision, and demonstrate the logic – or value – of their decision.

This is the how to make Gershon and EU directives work for you - not against you. After all, neither are intended to be barriers to sustainable procurement. The UK Government expects public sector procurement to be both sustainable and efficient, within European law. Whilst there is some imbalance in the system when it comes to enforcing these wishes – with the Gershon efficiencies often perceived as taking the priority – it's still important to concur with the Gershon efficiencies and the EU Directives in ways that achieve outcomes that are sustainable.

Defining a sustainable specification and then bringing Gershon into play to deliver it as efficiently as possible can achieve the harmonisation of Gershon efficiencies with sustainability objectives. This should take into account not just the initial payments but also the whole life costs, including running costs and disposal costs.

We also recommend that *'true costs and benefits'* are considered in addition to 'whole life costs'. Whole-life-costs are costs that can be accounted for, or 'internalised' into the accounting system, by considering costs over the whole life-cycle through acquisition, operation, and waste management. However, not all costs are easily 'internalised' since they include environmental or social costs whose financial impacts are difficult to account for precisely, or which fall to other departments or organisations. For example, food grown with the application of pesticides can lead to water pollution, health problems, and NHS expenditure that is not usually considered and is therefore 'external' (see Aeron-Thomas, 2006).

Ideally, whole-life-costing should include such 'externalities' but in practice this is difficult. So we recommend that procurement decisions are screened against the sustainability objectives to avoid these kind of 'externalities'. Besides avoiding externalised costs, using the four sustainability objectives to guide our decisions will result in benefits that are not usually accounted for. For instance, requiring contractors to train a percentage of their workforce can result in new jobs being created and a reduction of unemployment pay outs – a benefit that would not normally be considered in accounting procedures. This is made easier if the strategy recognises the importance of 'true costs and benefits'.

EU regulations are not intended to be anti-sustainability. In fact, the EU promotes sustainable development and encourages social and environmental specifications in procurement. However, the EU requires that public sector procurement contracts should be open to competition from the market so as not to favour businesses from particular parts of the EU. This can be a problem when procuring from far away constitutes a less sustainable option, for instance through increased greenhouse gas emissions from transport.

However, a specification process that is well thought through and reasonable can achieve a lot. If it happens that businesses from far away are less likely to be able to provide what is reasonably specified, like a quick response time or fresh produce, that is a matter for the businesses to consider and not the fault of the procurer. Also, there is nothing to prevent local authorities from running Meet the Buyer events and other such programmes of work within the locality which encourage local businesses to compete, so long as these avenues are open to all potential suppliers. So, a reasonable and professional approach does not fall at the EU hurdle. Interestingly, when Forum for the Future asked 600 procurement professionals to rank the barriers to sustainable procurement, EU

regulations were considered 16th out of a list of 17 barriers (Forum for the Future, 2006). It's easy when you know how.

It has also become clear that internal processes within organisations need to be harmonised with the sustainability objectives. This can be achieved through the comprehensive use of a sustainability checklist. Forum for the Future has developed this kind of checklist (see the Public Sector Sustainable Procurement Tool referenced in Step six). Using a sustainability checklist can help organisational departments and public sector organisations to ensure they don't undermine each other's remits. It could also form the basis of an approach to identifying budget transfers in order to recognise contributions to each other's goals. If budget transfers are not going to happen, it is important to have policy commitment to sustainability to recognise that a joined-up approach, achieved through using such tools, is good practice regardless of whose budget ultimately benefits.

It can be helpful to clarify the organisation's interpretation of key terms so that external and internal drivers are understood to be compatible. Importantly, 'value for money' (VfM) is not 'lowest cost', irrespective of the consequences. VfM is the optimum combination of whole life costs and quality (OGC & NAO). VfM audits look for the economic advantages of the purchase, but also the effectiveness and efficiency of the spend in meeting the need. The 'need' should be based on principles of sustainable development. Similarly, 'best value' should not be construed in narrow 'low cost' terms, but as the achievement of value through strong environmental, social, and economic performance.

Best Value, measured by the Best Value Performance Indicators (BVPIs), is a duty held by all local authorities (and other Best Value Authorities) to achieve continuous improvement through the efficiency, effectiveness and economy of their service delivery⁷.

further principles of success

Other principles could include collaborating across departments and with outside organisations to achieve excellence. Such collaboration can help to stimulate the market to provide sustainable solutions at good prices. This principle is supported by the return on investment and efficiency principles, and by the actions proposed in Step five.

⁷ <http://www.bvpi.gov.uk/pages/index.asp>

7 step five: commit to actions

The preceding Steps will inform your actions by helping to define success, setting the sustainability criteria by which you will assess your decisions, and giving you some helpful principles to guide your thinking. But what does all this mean in practice? The seven steps focus on the creation of a robust procurement strategy rather than zooming in on the specifics of the procurement process. But they need to be accompanied by commitment to certain high-level actions in your strategy. By following through our stages in the box below, you'll hit at least Level 3 on the Flexible Framework and lay the foundations for Level 5. You'll also need to refer to components of the Flexible Framework, and the detail in the Sustainable Procurement Assessment Framework (SPAF).

actions to commit to and include in your strategy

spend analysis & prioritisation

To support spend analysis and work planning, a process should be established to assess the following criteria at sub-category level:

- Level of spend
- Level of contract renewal activity
- Key suppliers by type and location (multinational, national, SME, Social Enterprise / Overseas, UK, Regional, Local)
- Level of risk against each sustainability objective
- Scope for improvement
- Level of influence.

This should be used to prioritise sub-categories for sustainability improvement activities

demand review

Before any tender process, buyers should examine the aggregate requirement to minimise volume, scale, costs and environmental impact.

Buyers should establish that:

- There is a genuine operational need for the purchase
- All cost effective opportunities for products to be shared, upgraded, refurbished, leased or delivered as a service have been exploited
- The product will be used efficiently, minimising waste
- The remaining total forecast is accurate.

sustainability review

Prior to any tender process, buyers should also review the purchase against the key sustainability objectives

listed above. Where relevant, buyers should identify actions to reduce impacts through supplier pre-qualification, specifications, evaluation criteria, supplier development and continuous improvement. As it is often difficult to give sustainability a sufficiently high weighting during tender evaluation, a strong emphasis should be placed on the use of sustainable specifications to improve the performance of products and services. This raises standards expected of all bidders.

whole life costing

Where relevant, buyers need to evaluate all tenders on the basis of long-term value for money, using whole life costing to assess:

- Purchase, installation, transportation and commissioning costs
- Operating costs, including labour, maintenance, re-processing, energy, water and consumables usage
- Management costs, including staff training, insurance, health & safety and environmental costs
- Disposal costs.

This approach should be used for all capital investments, waste contracts and where consumables are compared against reusable alternatives. For key cost categories, such as energy and price escalation, indices should be used to reflect cost increases over time.

Once established, the feasibility of expanding this approach to include costs and benefits affecting other public bodies and external social and environmental costs should be reviewed.

social enterprise & SME engagement

To increase the level of business awarded to Social Enterprises and local SMEs, all requirements should be advertised on local sourcing media. For instance www.sourceleicestershire.co.uk in Leicestershire.

As part of the sourcing strategy, buyers should consider the potential to:

- Use local lotting to break down larger contracts to match SME and Social Enterprise capacity
- Ring-fence a share of the requirement as a pilot contract for local or Social Enterprise supply
- Encourage collaboration between local SMEs and Social Enterprises to compete for larger contracts
- Encourage larger suppliers to sub-contract to local SMEs and Social Enterprises and
- Hold supplier briefings prior to issuing Invitations To Tender to explore innovation and ensure that specifications are deliverable by the marketplace.

aggregation and collaboration

For many non-strategic categories (like office and IT), neither specific local requirements nor a local supply base may exist. Product standardisation, collaborative procurement and national contracts should be used to increase buying power for these categories. This increased leverage enables sustainability standards to be raised whilst improving affordability through volume discounts. It also releases procurement resource to support more strategic spend areas, such as major construction works.

mandatory minimum standards

The feasibility of adopting minimum social and environmental standards for products and services, based on the OGC Environmental Quickwin Specifications should be explored. Where there is no significant increase in cost or supply risks, these should be adopted as mandatory minimum standards.

innovation & supplier development

Sustainability should be a key aspect to any commitment to innovation.

Key suppliers should be prioritised with the highest spend and sustainability impacts for targeted supplier development activities. This gives senior management support and focus on continuous improvement and tangible delivery of sustainability benefits throughout the supply chain.

These suppliers should be worked with to explore service-based contracts for products. This encourages suppliers to hold responsibility for the through life management of products, using gain share and incentives to reduce their whole life costs and environmental impacts.

Suppliers should be encouraged to propose innovations that improve the sustainability of their tender responses and reflect this in tender evaluation criteria. Suppliers recognise the commitment to sustainability and strive to offer innovative and cost effective sustainable solutions.

training & implementation

The chief executive and finance directors should attend a sustainable procurement awareness session. All procurement staff should participate in a day of specialist sustainable procurement training, including the use of the sustainable procurement toolkits adopted, and participate in annual refreshers. All other staff indirectly involved in procurement activity, such as end-users, should receive sustainability awareness training.

Sustainable procurement should be incorporated in to the induction, job descriptions, objectives and recruitment criteria for all relevant staff and the source planning and contract management processes. Each department should appoint a sustainability champion to promote and support sustainable procurement practices.

The feasibility of an incentive scheme to encourage buyers to improve their sustainable procurement performance should be considered.

communications & reporting

To communicate this strategy to suppliers, buyers should include a copy of this Sustainable Procurement Strategy as an appendix to all Invitations to Tender. Additionally, the strategy should be distributed to all key suppliers, who are invited to comment.

This strategy should also be distributed to all non-procurement staff involved in contracting activities as specifiers, evaluators or end users.

Those suppliers whose products and services offer the greatest sustainability improvements should be recognised.

The social, environmental as well as financial benefits achieved through each tender process should be reported.

The procurement department should report quarterly on the impacts and effectiveness of this strategy and progress against key targets.

strategy development

This strategy should be reviewed on a six monthly basis and following any new policies and reviews of the UK National Procurement Action Plan. The current strategy should be intended to enable the achievement of “Practice Level 3” of the Flexible Framework.

8 step six: define tools and resources

So, onto the tools and resources that can help to achieve your strategy. Your procurement strategy is a fairly high level document but it needs to signpost the resources people need in order to do their job in a way that contributes to the achievement of the objectives. This means identifying the tools, techniques, monitoring arrangements, guidance documents, and other resources such as training packages, which they should draw upon as part of good practice.

Whilst it is important to provide guidance to practitioners, the temptation is often to grab hold of a particular tool or resource and get carried away with it. Sometimes we expect too much, hoping that a 'tool' or guidance document will somehow solve everything. Unfortunately, this is unlikely to be the case. We need to work through the issues our organisations face, and be clear about which tools and resources are useful and use them appropriately in order to support our goals. To help you do this, we recommend a selection of resources that you can draw on.

strategic drivers

The following documents will give you the strategic context for your procurement activities:

Securing the Future – The UK Government Sustainable Development Strategy (2005)

<http://www.sustainable-development.gov.uk/publications/uk-strategy/index.htm>

Procuring the Future – The Sustainable Procurement Task Force National Action Plan (2006)

<http://www.sustainable-development.gov.uk/publications/procurement-action-plan/index.htm>

UK Government Sustainable Procurement Action Plan (2007)

<http://www.sustainable-development.gov.uk/publications/pdf/SustainableProcurementActionPlan.pdf>

Local Government Sustainable Procurement Strategy (2007)– Incorporating the Local Government response to the Report of the Sustainable Procurement Task Force and to the UK Government Sustainable Procurement Action Plan

Draft available: www.idea.gov.uk

Procuring for Health and Sustainability 2012 – The Health & Social Care sector response to the Sustainable Procurement Task Force report 2007

www.pasa.nhs.uk

guidance

The following documents provide further detail and / or guidance for your strategy:

The Procura+ Manual: A guide to cost-effective sustainable public procurement (2nd edition - January 2007)

A manual developed by & for European public authorities (through ICLEI – Local Governments for Sustainability) providing advice on how to implement sustainable procurement. The Manual presents an implementation model (The Procura+ Milestones) and key purchasing criteria developed as part of the Procura+ Campaign for:

- Buses
- Cleaning and Maintenance Products and Services
- Green Electricity
- Food and Catering Services
- IT Equipment
- Building Construction / Renovation

www.procuraplus.org

WRAP (Waste and Resources Action Programme)

WRAP provide free advice on waste and resource planning. As part of this they have several useful guidance documents on procurement materials with recycled content including paper, aggregate and construction materials. The web resources also include case studies detailing good practice.

Paper: http://www.wrap.org.uk/businesses/using_recycled_paper/procurement_guides/

Aggregate: <http://www.aggregain.org.uk/procurement/>

Construction: http://www.wrap.org.uk/construction/construction_procurement/

Sustainable Purchasing Guidelines – Moving towards sustainable procurement

A strong, well laid out resource that offers guidance on how to make sustainable procurement decisions. It includes a guide through the decision making process for a number of specific products, signposts eco-labels and highlights the environmental impacts of certain chemicals. Like this report, the Guidelines use The Natural Step process to ensure that purchases are sustainable. Though it has a Canadian origin, the principles apply globally.

Whistler Resort Municipality and The Natural Step

<http://www.whistler2020.ca/whistler/site/genericPage.acds?context=1967998&instanceid=1967999>

More for you money – a guide to procuring from social enterprises

A short guide to the case for buying goods and services from a social enterprise and what organisations can do to encourage social enterprises to successfully compete for contracts. It clearly defines what a social enterprise is, lays out the case for buying from them, lists useful social enterprise related resources, case-studies, and a simple checklist on engaging with social enterprises.

http://www.socialenterprise.org.uk/cms/documents/more_for_your_money.pdf

Notes on Social and Environmental Issues in Purchasing

Extensive guides to the treatment of social and environmental issues during the different stages of the procurement process, and how to do so within EU rules.

Social http://www.ogc.gov.uk/documents/Social_Issues_in_Purchasing.pdf

Environmental http://www.ogc.gov.uk/documents/environmental_issues-defra.pdf

Buying Green – A handbook on environmental public procurement

This handbook offers a step-by-step process for 'green' procurement. It uses real European case studies to illustrate how each step (defining requirements, supplier selection, contract award & contract performance) enable environmental procurement.

European Commission (2004)

<http://ec.europa.eu/environment/gpp/pdf/int.pdf>

The SPIN Network

Provided by a group of regional Centres of Excellence, Nottinghamshire County Council, Bolsover District Council and the Local Authority Energy Partnership, this website aims to be a 'one-stop' sustainable procurement shop for Local Authorities. It contains news and events, as well as signposting guidance and case studies.

<http://www.s-p-i-n.co.uk>

frameworks

The following frameworks can be used to benchmark your organisation's sustainable procurement activities and monitor progress:

The Flexible Framework

A concise tool, endorsed by the Sustainable Procurement Task Force and the UK Government Sustainable Procurement Action Plan, that enables organisations to assess their sustainable procurement performance according to five levels which reflect the transition from a 'foundation' to 'lead' organisation. The tool ensures consistency with the Sustainable Procurement Task Force priorities and could be used as a basis for monitoring.

UK Government Sustainable Procurement Action Plan (2007) pp 44

<http://www.sustainable-development.gov.uk/publications/pdf/SustainableProcurementActionPlan.pdf>

Public Sector Sustainable Procurement Assessment Framework (SPAF)

Developed by Value Wales (part of the Welsh Assembly Government) and Forum for the Future originally in 2004, this Framework was updated to align with the Flexible Framework in 2006. This is the route-map for Welsh organisations, to improve their overall sustainable procurement performance, and goes into a greater level of detail on content and strategic planning than the Framework. The SPAF also contains a section on sustainable development in the wider organisation that is not within the Flexible Framework.

Available as part of the Value Wales Procurement Routeplanner

<http://www.buy4wales.co.uk/PRP/index.html>

tools

The following tools are available to help action your strategy:

The LEAP Toolkit

The International Council of Local Environmental Initiatives (ICLEI) have produced various procurement resources. Their BIGNET procurement campaign regularly releases recommendations for environmental specifications. Furthermore, ICLEI have to date produced eight procurement tools as part of their LEAP project, which explores how to integrate procurement into environmental management systems (EMS). Whilst we prefer not to confine sustainable procurement to 'green' procurement and the confines of an EMS, the ICLEI tools certainly have merit and we recommend

they be used to enhance the process set out in our seven steps. The ICLEI tools cover the following areas:

- Guidance on producing a green procurement policy.
- A set of EMS procedures to control and improve the environmental impacts throughout the procurement process.
- A self-assessment tool to help organisations identify barriers to green procurement and identify priority areas.
- Examples of joint procurement activities in Europe and guidance on how to initiate joint procurement.
- Guidance on developing specifications for seven key products that local authorities buy.
- Information on how to include environmental criteria into procurement and how to evaluate tenders.
- A database of information sources to help identify green alternatives to current purchases.
- Guidance on how to work with suppliers to improve the environmental performance of goods and develop markets through the supply chain.

<http://www.leap-gpp-toolkit.org/>

Public Sector Sustainable Procurement Toolkit

The tool incorporates a demand review and a sustainability appraisal process that emphasises action planning. It includes pointers on how to incorporate sustainable development into the different stages of procurement and workbooks that enable Whole Life Costing.

Please contact Anna Warrington (a.warrington@forumforthefuture.org.uk)

Quick Wins

A government funded framework that identifies environmental minimum standards for 54 product categories (to be extended over time). These standards are 'mandatory minimum standards' for central government, and should be used by other public sector organisations as their minimum environmental standards also. The environmentally preferable products are identified already, and framework contracts will offer good financial value. Even where an organisation chooses not to procure through the framework – their specifications may be of use.

<http://www.sustainable-development.gov.uk/publications/pdf/QuickWins2007vr3.pdf>

Local Performance Indicators for procurement

A library of voluntary indicators intended for use by local authorities in assessing and benchmarking their procurement performance. Includes indicators on the use sustainable procurement best practice, and equality and competition.

I&DeA & Audit Commission

<http://www.idea.gov.uk/idk/aio/1709573>

The Procurement Routeplanner

The Welsh Assembly, working in collaboration with Forum for the Future, have created this online guide through the sustainable procurement process which can be accessed through the Buy4Wales website. The resource includes the SPAF (see above) and other facilities that enable sustainable procurement. It also provides a portal for advertising upcoming contracts and receiving electronic quotes from suppliers. It currently has nearly 18000 registered suppliers and is being used to advertise over 350 live Welsh tenders.

<https://www.buy4wales.co.uk/buy4wales.aspx>

eco labels

Eco label schemes define sustainable specifications for a wide range of products and services. A range of eco labels are available, including: multi-issue labels such as the EU Flower, Nordic Swan and Blue Angel schemes, and single issue labels include those covering labour conditions (FairTrade), sustainably managed timber and fisheries (FSC and MSC), organic food (Soil Association) and energy efficiency (Energy Star and EU Energy Rating). Though it should be noted that EU rules mean that you cannot specify that the product is certified by an eco label, you can specify that the product should be 'eco label standard'.

sustainable procurement resource spreadsheet

Compiled by Forum for the Future, this easily searchable spreadsheet lists a vast array of resources. They include sources of case studies, information on eco labels, and documents that provide the international sustainable procurement context. To receive this spreadsheet, please contact Anna Warrington (a.warrington@forumforthefuture.org.uk)

The above are just some of the many resources available that will help your organisation develop and put your sustainable procurement strategy into action. For a detailed list of more of these resources please see the Sustainable Procurement Spreadsheet - a guide to sustainable procurement information and resources produced by Forum for the Future as part of the BEST Procurement Programme (Contact Anna Warrington – a.warrington@forumforthefuture.org.uk).

9 step seven: do it

So there you have it: a high-level sustainable procurement strategy.

In Step one you grasped the importance of gaining high-level support and making a top-level commitment to sustainable procurement. Step two helped you understand and communicate the systems, or context, of your strategy. Step three gave you the very high level aims for your strategy and actions by creating a vision of what success would look like, under which you can insert your more specific community and corporate objectives. Some key questions were identified in Step four that can be asked in order to ensure that each decision contributes to success. It also dispelled some myths around the barriers to sustainable procurement. Step five then gave you the more specific actions that need to be taken forward in order to ensure the successful achievement of your objectives in the long-term, ensuring that processes such as spend analysis and prioritisation and demand review are included in procurement. In the previous section, Step six gave you some of the best resources and tools that will help you determine some of the detail that will fit under your vision and objectives.

Now we return to our little note in Step one where we highlighted the importance of making sure that the statement of commitment or sustainable procurement policy does *not* languish in a computer folder or on the top shelf gathering dust. The same goes for the strategy document. There are two things that need to be done now that it's written.

share the knowledge

It's important that everyone within your organisation, and preferably key contacts in your supply chain, are aware of the sustainable procurement strategy and are familiar with its key messages. They should know whom to contact for further information or guidance.

This task has already been made a little easier through the fulfilment of Step one – gaining top-level support from your management team / board. Launch the strategy with their endorsement on your organisation's intranet. Publicise it or at least your policy on your external website. Attach the strategy or policy to all Invitations to Tender and adverts for upcoming contracts. You could also provide training to key suppliers on your approach to sustainability.

real action

The strategy needs to be translated into real action on the ground, in the day-to-day decisions made by procurement professionals.

Through the actions that you committed to during Step five; training sessions, incorporating sustainable procurement into job descriptions and development plans etc, awareness levels will rise and procurement professionals will begin to see sustainable procurement as their role.

An easy way to begin to realise the benefits of sustainable procurement and gain real buy-in in the short term is to adopt the 'Quick Wins' identified by OGC buying solutions (please see Step six for a link to this resource). The learning from the Public Sector Food Procurement Initiative could also be used to establish sustainable food procurement in your area. There is a lot of best practice already out there ready to be drawn upon.

We recommend prioritising your actions through your spend analysis and sustainability assessment, and working to improve the most pressing areas of your procurement. You could also use the ten priority areas identified by the Sustainable Procurement Task Force as prompt for considering which areas of spend to improve first.

It's also useful to start by running specific pilots on priority products and services rather than tackling an unfeasibly broad array of new projects. Whilst it is important that sustainable procurement becomes the approach taken for all contracts, learning and best practice has to be developed for your particular organisation and the supply base.

In true 'what gets measured gets managed' fashion, we strongly recommend a bi-annual measurement of progress on sustainable procurement. It's important not only that failures are addressed, but also that achievements are recognised. This process needs to start immediately with a thorough benchmark of where your organisation currently lies in terms of sustainable procurement. We recommend the use of the Flexible Framework or the Sustainable Procurement Assessment Framework (SPAF).

Establish a monitoring system that involves a bi-annual assessment of where your organisation is on the Flexible Framework or the SPAF. Doing this will measure progress against the actions that you committed to in Step six. It will highlight areas of success to be rewarded, and areas that need to be improved upon.

Some organisations have found it helpful to introduce targets for the use of sustainable procurement practices (see the Local Performance Indicators for procurement resource recommended in Step six), and to measure them alongside monitoring other progress.

This monitoring does not need to be separate from the existing process of evaluating procurement efficiencies. In fact it will aid in the harmonisation of sustainable procurement practices and achieving other goals, such as Gershon efficiencies and compliance with EU directives, if the monitoring and evaluation takes place at the same time and is done by the same team.

conclusion

Having reached the end of this guide to compiling a good sustainable procurement strategy, if you have completed all of the Steps that we've taken you through, you now know where your organisation is starting from, you have a high level vision of what your procurement practices need to achieve, and you and your organisation have committed to actions that will move you from your starting point towards your vision.

All you've got to do now is keep moving towards that goal.

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For more information on The Natural Step (TNS) please contact TNS international (<http://www.naturalstep.org/com/nyStart/> or email info@thenaturalstep.org) or TNS UK (http://www.forumforthefuture.org.uk/business/naturalstep_page83.aspx or Tel: 01242 262744)