buying a better world: sustainable public procurement
Forum for the Future

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.

Registered office: Overseas House, 19-23 Ironmonger Row, London, EC1V 3QN
Registered charity number: 1040519
Company limited by Guarantee: 2959712
Date of publication: December 2007

Acknowledgements
Forum for the Future would like to thank the European Social Fund under the Equal Community Initiative Programme which has part funded this project. Match funding for the production of this report was contributed by the East Midlands Centre of Excellence.

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Printed on FSC Revive 100% recycled
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about BEST Procurement

the BEST (Benefiting Economy and Society Through) Procurement programme is a suite of projects. It features numerous organisations on both the supply and demand side of procurement, and is co-ordinated by Social Enterprise East Midlands (SEEM). It is part funded by the European Social Fund under the Equal Community Initiative Programme.

BEST Procurement aims to increase equal opportunities and diversity within the supply chain of the East Midlands public sector through developing the capacity of social enterprise.

In order to achieve this aim the programme had the following main objectives:

- 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 has focused principally on the first of these objectives – working to build strategic capacity within the public sector to enable it to achieve ‘blended value’ through pursuing environmental, social and economic objectives concurrently. This will lead to more sustainable procurement. Social enterprises can often provide environmental, social and economic benefits. Emphasising their contribution to sustainable procurement is one part of the process of increasing the involvement of social enterprise in public procurement. The other part of the process is to increase buyers’ awareness of the need to pursue blended value, and of the potential to do so through social enterprise. Forum for the Future’s work featured two-year work-streams with both the health and local government sectors. The two work-streams, Procuring Sustainable Health and Local Authority Sustainable Procurement, are outlined below.
procuring sustainable health

The NHS in the East Midlands spends over £1 billion annually on the procurement of goods and services. Cost, quality and delivery are the main tender evaluation criteria. The overriding emphasis remains on unit price with limited awareness and consideration of sustainability issues. As a result, it is believed that less than ten percent of spend remains within the region and many opportunities for social, environmental and economic enhancement, including their associated health benefits are overlooked.

The ‘Procuring Sustainable Health’ project aimed to pilot the integration of sustainability into the procurement practices of East Midlands NHS Trusts and their new re:source Collaborative Procurement Hub. The project focused primarily on developing tools to integrate sustainability and Good Corporate Citizenship principles into procurement decisions. Approaches and tools were developed and tested through a range of individual pilot contract interventions for goods and services.

The project was conceived by Nottingham’s Health and Environment Partnership and funded by the Greater Nottingham Partnership and SEEM, using European Social Fund grants. Nottingham City PCT and the re:source East Midlands Procurement Hub contributed in-kind match funding for the project.

local authority sustainable procurement

The local government work-stream aimed to build capacity in Local Authorities in the East Midlands in order to set the context for achieving ‘blended value’ through procurement policy and practice.

The first stage of the work involved research into UK, EU and international work being undertaken in sustainable procurement. This provided context and background resources for the ‘intervention’ stage in which Forum for the Future worked closely with three ‘core’ local authority partners: Northamptonshire County Council, North West Leicestershire District Council, and Nottingham City Council. Forum for the Future developed a workshop process for benchmarking organisational capacity in sustainable procurement and worked alongside these core authorities to assess current performance and to plan improvements. The final stage involved providing support in developing procurement strategies aimed at delivering ‘blended value’.
buying a better world: sustainable public procurement

recommending a way forward

an opportunity

The public sector has a duty to spend public money in the long-term public interest – in ways that avoid undermining people's health, opportunities and the environment. Sustainable procurement contributes to this and therefore delivers long-term value for money by:

- reducing whole life costs
- protecting reputation
- future proofing supply chains and investments making them viable in the long-term
- minimising damage to the environment and health whilst maximising social benefits.

barriers

EU procurement law and the UK's Value for Money requirements are often misidentified as two major barriers to sustainable procurement. Instead, our work in the East Midlands recognises that reducing the fragmentation of public procurement and improving understanding of the procurement process could enable progress towards sustainability and long-term value for money. Sustainable procurement is often considered to be one of many competing procurement agendas and therefore fails to be integrated into public procurement. This report details actions that public sector organisations can take to achieve this integration.

integrating sustainability into public procurement

Public sector organisations can take action in the following three areas to overcome the barriers and make progress with sustainable procurement.

1. In your organisation

- Recognise ‘sustainability’ as not just the environmental considerations in procurement, but as an overarching ethos which pulls together economic efficiency and environmental protection in pursuit of social and corporate objectives.
- Recognise the power of the public sector's £150 billion annual spend as a means of actively achieving corporate objectives rather than merely playing a reactive ‘back-office’ role.
- Professionalise procurement activities to ensure a consistent and efficient approach is taken. This will require a blend of centralising and aggregating procurement in addition to bespoke ‘local’ procurement.
- Ensure procurement staff are skilled in integrating environmental and social considerations into procurement, and in identifying opportunities to encourage social enterprise.
- Use the Sustainable Procurement Task Force’s Flexible Framework to benchmark current practice and plan improvements. If in Wales, use the Sustainable Procurement Assessment Framework (SPAF).
- Appreciate that sustainable procurement can be done now, to fulfil existing duties in line with EU rules, as well as to contribute to the urgent task of moving to sustainable modes of operating.
2. Through your procurement process
Public sector organisations should take the following steps to integrate sustainability into the procurement process:

- Prioritise contracts with the greatest sustainability opportunities and ease of implementation for immediate action.
- Use ‘Demand Review’ to help reduce or eliminate demand – saving money and avoiding environmental impacts.
- Identify contract’s sustainability impacts and implement cost effective and EU compliant interventions in the tender process to improve these impacts.
- Use Whole Life Costing to identify the lower operating and disposal costs of sustainable alternatives.

Piloted across a wide range of contracts, we have developed a Sustainable Procurement Toolkit to help organisations implement these steps. This report also contains detailed guidance on the sustainable procurement process and further details of this toolkit.

3. By raising standards through collaborative procurement
Greater collaboration is key to delivering more efficient and sustainable procurement in the public sector. The fragmentation created by the increasingly autonomous procurement of Local Authorities and NHS Trusts undermines national and regional procurement efforts. A lack of volume commitment to framework contracts dilutes buying power and economies of scale essential to raising standards and reducing prices. At the same time, it over-stretches local procurement teams, who instead of pursuing local sourcing opportunities and inputting into PFI programmes, are occupied on contracts that would be better sourced centrally.

A more formal procurement hierarchy and purchasing levels would:

- Identify contracts best suited to centralised national and regional procurement. With little local variation in requirements and an international market dominated by powerful suppliers, vital economies of scale would raise standards, reduce prices and harness forward commitment to bring new sustainable technologies to market.
- Free up resource within NHS Trusts and Local Authorities to provide valuable input to PFI projects and to pursue truly local opportunities with Social Enterprises and SMEs.

In combination, these measures would improve the sustainability and efficiency across public procurement.
why buy sustainably?

why does sustainability matter?

The global population is increasing and consumption rates per capita are growing. Human consumption of resources significantly exceeds what the earth can provide. Essential services such as clean air and water, a stable climate and viable forests and fisheries are in long-term decline. The resources on which we rely are being depleted at accelerating rates. This means ‘business as usual’ no longer an option for the public sector.

Forum for the Future defines sustainable development as ‘a dynamic process which enables all people to realise their potential and improve their quality of life in ways which simultaneously protect and enhance the Earth’s life support systems’. Public sector organisations will be instrumental in creating the transition to a more sustainable future through their role in improving local quality of life and through their leadership in tackling global social injustice and environmental degradation.

what is sustainable procurement?

Sustainable procurement is the process of acquiring goods and services that:

- Meet users’ needs
- Deliver long term value for money
- Maximise social and economic benefits
- Minimise damage to the environment and health.

sustainable procurement objectives

A range of social, environmental and economic objectives can be delivered through sustainable procurement, many of which are interlinked. These clearly map back to principles of Securing the Future: The UK’s Sustainable Development Strategy. The diagram below represents the links to three of these principles.

**typical sustainability objectives for procurement**

<table>
<thead>
<tr>
<th>Protecting human health</th>
<th>Promoting fair working conditions</th>
<th>Promoting social enterprise and improving local skills</th>
<th>Reducing soil, water &amp; air pollution</th>
<th>Reducing energy consumption &amp; climate change</th>
<th>Reducing water consumption</th>
<th>Reducing materials, packaging &amp; waste</th>
<th>Protecting habitats and biodiversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoiding hazardous chemicals; promoting good diet and exercise; raising household incomes.</td>
<td>Improving pay, working hours and equality in supply chains.</td>
<td>Enhancing social and environmental objectives of suppliers; enabling access to quality employment.</td>
<td>Avoiding chemicals harmful to health and environment.</td>
<td>Avoiding energy intensive activities; improving energy efficiency; seeking non-fossil, renewable energy sources.</td>
<td>Avoiding water intensive activities; improving water efficiency; rainwater capture and greywater recycling.</td>
<td>Reducing, re-using and recycling.</td>
<td>Sourcing sustainable timber, seafood, palm oil and soy; enhancing local habitats.</td>
</tr>
</tbody>
</table>

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1 Securing the Future: UK Government Sustainable Development Strategy, 2005
why is public procurement important?

All products and services create social and environmental impacts throughout their lifecycles, from employment and waste to emissions and changing land use. The UK public sector spends over £150 billion a year on procurement, sourcing goods and services from around the world. This represents a huge opportunity for enhancing the environment and quality of life by choosing the right goods and services. Through clear leadership the public sector can improve the sustainability of its own supply chain but also encourage the development of new, more sustainable products and services.

how will the public sector benefit from buying sustainably?

Public service is the common purpose of all public sector organisations, typified by Local Authorities’ Wellbeing Powers. As such, sustainability should be at the core of their organisational objectives and strategies. As publicly funded organisations, councils and NHS Trusts have a duty to spend public money in the long-term public interest, in ways that support, rather than conflict with their objectives. This means avoiding purchases that could undermine people’s health, environment and employment. Sustainable procurement should be part of effective public service – it also has the following benefits:

1. It contributes to strategic objectives

   Sustainable procurement helps local government to:
   - Deliver its duty to promote social, economic and environmental well-being
   - Realise the vision of local sustainable development in their community strategies
   - Make a significant contribution to the Sustainable Consumption and Production element of ‘Securing the Future’ – the UK government’s sustainable development strategy.

Local government spends £40bn each year undertaking capital projects and buying-in goods and services, and needs to spend this wisely in order to achieve optimal benefits.

For the NHS, these objectives include improving public health and reducing health inequalities. Sustainable procurement can support these through:
   - Avoiding products and processes releasing hazardous substances detrimental to health
   - Creating opportunities for healthy diet and exercise
   - Creating a safe and healthy indoor environment
   - Reducing greenhouse gas emissions to minimise climate change and its health impacts
   - Addressing health inequalities by supporting local SMEs and Social Enterprises to increase employment and raise incomes.

2. It helps reduce whole life costs

Choosing sustainable products and services is often a sound financial decision. This is because common characteristics of more sustainable products include:
   - Superior energy and water efficiency
   - Reduced usage of consumables
   - Lower hazardous material content
   - Longer life and greater upgradeability
   - Reduced packaging and waste
   - Ease of recycling.

These benefits typically translate in to lower running and disposal costs, offsetting any premium on initial purchase costs or resulting in direct financial savings.

3. It helps to reduce exposure to risk

Sustainable procurement can future proof supply chains and investments by:
   - Anticipating new legislation (such as the WEEE and ROHS directives)
   - Reducing exposure to supply shortages and price rises by efficient use of energy and resources
   - Planning for a changing climate and a resource and carbon constrained future
   - Taking a precautionary approach to emerging risks.
4. It can protect reputation and demonstrate Good Corporate Citizenship
Taxpayer, regulatory, consumer and investor scrutiny of organisations’ sustainability performance is increasing.

Short-sighted procurement decisions can undermine reputation and trust. Examples include:

- Use of sweatshop labour in developing world supply chains
- Use of illegal, tropical timber
- Use of contaminated meat and dairy products
- Use of chemicals that damage health.

5. It can enable pan-public sector savings
The fragmented nature of the public sector inevitably leads to purchasing silos. The lack of a pan-public sector overview creates missed opportunities such as those in Box 1 below. This can mean short-sighted procurement decisions by one organisation create knock-on costs for the next.

Sustainable procurement allows buyers to broaden their perspectives by taking external social, environmental and economic factors into account. This has enabled Local Authorities to invest in healthy school meals, reducing future costs of poor diet and obesity faced by the NHS and wider public sector. Similarly, sourcing from Social Firms that employ marginalised job seekers offers individuals independence whilst reducing the care and benefits burden on Government.

6. It helps achieve long term value for money
As well as delivering the products and services to meet users’ needs, sustainable procurement secures wider social and environmental benefits at little or no extra cost.

Beyond the Whole Life Cost savings that can be easily valued, sustainable procurement addresses a wide range of social and environment externalities. The impact of greenhouse gas emissions is foremost among these but rarely included within investment business cases. The Stern Review\(^2\) estimated that a 1% of GDP investment in emissions reduction measures today could avert losses of up to 20% of GDP in the future.

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what does sustainable procurement mean in real terms?

The consequences of procurement decisions can determine whether an organisation is to be part of the problem or part of the solutions.

**sustainable procurement can lead to:**

- Long-term efficiencies through adopting whole life costing and anticipating future resource shortages and associated increases in costs. This could entail specifying quality now, such as thermal efficiency and micro-generation, and thereby result in reduced fuel costs, fuel poverty, and distress from heat and cold.
- Using local spend to encourage local involvement in contracts, increase local skills and jobs, and re-circulate money within the local economy.
- The creation of quality living and working environments (both indoors and out) which support health and wellbeing.
- Reduced traffic and air pollution through reduced road freight and personnel movements
- Improved labour market integration and reduced alienation and crime
- Sustainable use of natural resources and the avoidance of habitat destruction, for example by ensuring all wood is reclaimed or from locations certified by the Forest Stewardship Council.

**poor procurement can lead to:**

- Short-term cost savings but long-term losses, for instance through increased revenue costs (such as energy) and poor durability of capital investments and the need for early replacement/rebuild.
- Outsourcing to businesses beyond the locality and subsequent loss of skills, jobs, finance, labour market integration and community involvement.
- Unnecessary transportation of materials and personnel causing air pollution and congestion
- Social housing which degenerates into the slums of the future
- Poorly designed buildings which constitute ‘sick buildings’ containing toxic materials, materials derived from valuable habitats, lack of sunlight, and so forth.
- Buildings with poor thermal efficiency can push up occupants’ fuel costs and increase the likelihood of fuel poverty and distress from winter cold and summer heat.
- Social impacts derived from these and other unforeseen consequences of poor procurement, such as health impacts and increased social deprivation and crime.

Society in general is becoming more aware of sustainability issues, particularly the need to tackle climate change. Our work in the East Midlands found that despite this increased awareness and the benefits highlighted above, many organisations have only made limited progress with sustainable procurement. Many of the opportunities that can be gained from procurement decisions that consider economic, environmental and social objectives are therefore being missed. The next section looks at why this is happening.
what are the real barriers to sustainable procurement?

there are numerous barriers, both real and perceived, to the adoption of sustainable procurement practices in the NHS and Local Authorities. We experienced many of the barriers below in our work in the East Midlands. In this section we explain some real and perceived barriers and start to outline some ways to overcome them.

perceived barriers

Many barriers first cited by procurement staff are misconceptions which can be addressed through awareness raising.

EU procurement law

The overarching principles of the EU Procurement Directives are transparency and non-discrimination. To ensure the tender process is open and transparent buyers must:

- Advertise all contract opportunities over the EU Threshold through an OJEU Notice.
- State the nature of the requirement, the approximate contract term and value, the tender procedure and the award criteria.
- Post a Contract Award Notice.

For non-discrimination, buyers must ensure that all potential bidders have equality of information and opportunity. As a result, buyers can not:

- Favour a local firm over an overseas competitor
- Introduce pre-qualification, specification or evaluation criteria that are not relevant to the contract.

Although these requirements sometimes need careful interpretation, a growing body of case law shows none are inherently incompatible with sustainable procurement. Whilst unsuccessful bidders do have the right to legally challenge contract awards, they rarely have grounds to do this. Nevertheless, many buyers quote EU Compliance as their biggest concern.

Value for money

After EU Law, value for money is buyers’ most frequent concern. For the NHS, widespread financial deficits have produced a climate of short term cost cutting. The Gershon efficiency agenda and Comprehensive Spending Review 2004 (CSR 04) have resulted in Councils being obliged to make yearly budget savings of 2.5% – with procurement being the single largest workstream. The Government’s Comprehensive Spending Review 2007 sets out the intention to make further efficiency savings. The Local Government White Paper³ proposes to strengthen accountability on procurement through a ‘Use of Resources’ judgement as part of revisions to the Comprehensive Performance Assessment. It is against the background of the efficiency agenda that the health and local government sectors have felt pressured to achieve short term cost cuts even at the expense of service delivery. However, this is not the intended mandate of the efficiency agenda which actually sets out to free-up resources for subsequent reinvestment in service delivery (or reductions in council tax). The definition of value for money is crucial.

According to the OGC, value for money should be judged as:

- “the optimum combination of quality, performance and price”

There is a widespread misconception that more sustainable products carry a significant premium. In many cases no premium exists. In the majority of instances, any additional costs are rapidly recovered through whole life cost savings.

³ Strong and Prosperous Communities - The Local Government White Paper, 2006
For any public sector body, there are clear links between sustainability and their public service objectives. As such, any unsustainable procurement will undermine corporate objectives so cannot be viewed as good value. By defining ‘quality’ as sustainability, procurement professionals can then secure quality at the lowest possible price. This is the marriage of efficiency with sustainability. The synergies are further reflected by the need for the public sector to achieve greater economies of scale and lower prices (which are cashable savings) – which can be achieved through aggregation and collaboration across departments and public sector organisations. Provided this is in the pursuit of sustainable procurement options, there can be common ground for efficiency and improved environmental and social outcomes. Improving the quality of goods and services for the same cost as previous spending can also be counted as (non-cashable) savings. Therefore, achieving improvements in sustainability (i.e. quality) is consistent with the efficiency agenda, as it ought to be since procuring un-sustainability causes knock-on costs to society through social and environmental damage. These costs are likely to be ‘externalities’ which are not accounted for by a given department because they will fall on other departments or other public sector organisations. For example, the results of a Council buying cheap food with high amounts of pesticide residue, imported over long distances, could include health problems from the ingestion of pesticides and inhalation of air pollution caused by freight movements. In such an example, future costs to the NHS would not be factored into the initial procurement decision. A sustainable specification avoids such externalities. It is important for organisations to move away from a preoccupation only with short-term, easily accountable financial costs (which is the top priority for most organisations), towards a more sophisticated appreciation of best value.

**case study: food procurement at Nottingham city hospital**

Forum for the Future carried out an analysis of social, environmental and economic costs, including costs of damaged health, of procurement of unsustainable food in the NHS. Nottingham City Hospital (NCH) was used as case study. The hospital sourced pre-prepared food from outside the East Midlands. This arrangement was compared with sustainably produced, locally prepared food. Social external costs, such as health impacts from transport pollution, costs of cleaning up agricultural chemicals, and lost economic production as a result of sickness, for the different arrangements were compared.

The study found that if NCH switched to local food procurement, social external costs would be reduced by £30,000 per year. For organic food the cost reduction would be around £70,000. Sourcing local and organic food offered the biggest social external cost savings – around £115,000. Extrapolating from this case study research showed that putting NHS food procurement onto an environmentally-sustainable footing would cut a host of social and environmental impacts, whilst saving around £25 million at the same time.

This poses a challenge for the NHS as tight budget constraints demand that cost increases are to be avoided unless savings can be demonstrated elsewhere. Savings from sustainable food procurement do not return directly to hospital catering departments, many of the identified savings don’t even return to the NHS. A mechanism for transferring avoided costs back to procurers would help offset any additional costs of producing sustainable food. That isn’t an excuse for inaction though. The Royal Cornwall Hospital managed to increase its procurement of fresh, local and organic food whilst sticking to its existing budget.

The Nottingham City Hospital study was carried out for Sustainable Procurement Task Force with joint funding from European Social Fund as part of BEST Procurement.

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4 The OGC are ‘exploring the scope for aggregating demand to enable one department or public sector body to co-ordinate the procurement of a particular commodity on behalf of others…in order to tackle the wide variety of prices paid for the same commodity across the public sector and maximise the public sector’s market power’ (see CSR 2007).

5 Survey of Procurement Professionals (Forum for the Future, 2006), p.8

6 A Fresh Approach to Hospital Food, Soil Association, 2007
genuine barriers

Whilst perceived barriers are easily addressed through training and awareness raising, persistent institutional barriers remain.

Poor organisational design

Poor organisational design is a significant root cause of the inability of the public sector to procure efficiently or sustainably. Throughout the NHS, procurement is heavily fragmented and lacks co-ordination and governance at a local level: a situation which is mirrored by Local Authorities. NHS Trusts and Councils are essentially free to purchase whatever goods and services from whatever suppliers they choose.

Fragmentation and complexity are frequently cited as barriers by public sector procurement professionals. These structural arrangements yield obstacles to new practice in general, not just to sustainability innovations. Procurement decisions taken by a given department may be at odds from those of another department and thereby compromise efficiency and the ability to achieve good value, sustainable solutions. Whereas decentralised functions may be inefficient, centralised procurement teams need to play an important role in professionalising procedures and achieving better value through central contract management and liaison with other public sector organisations, consortia and government frameworks. However, centralised procurement functions may also need to up-skill on sustainability principles.

Decentralised systems can be resistant to change, not only because officers can be loathe to tamper with the way they ‘have always done it’, but also for unexpected reasons. An interesting point which arose during our work was that some Local Authority procurement officers are reluctant to centralise procurement because they feel it could result in them losing their devolved purchasing remit and consequently ‘having nothing to do’. Whilst we do not know how widespread that view is, it suggests that inbuilt inefficiency helps to maintain certain jobs. However, a more professional approach does not mean centralising all procurement, just enough to free up energy and resource to specific departments to focus on the procurement they need to do in a manner which maximises local advantage and corporate objectives.

Whilst NHS Purchasing and Supply Agency (NHSPASA) and the newly established Collaborative Procurement Hubs promote a more collaborative and strategic approach to procurement in the NHS, this is hindered by the autonomy and unaccountability of the Trusts. As a result:

- There is significant duplication of effort between trusts – as neighbours tender separately to meet essentially identical needs.
- Economies of scale are missed and bargaining power diluted as suppliers “divide and conquer”.
- Lack of volume commitment undermines the ability of NHSPASA and hubs to raise standards and reduce costs.
- Supply teams are over-stretched and under-resourced.
- Estates teams are responsible for significant procurement spend with minimal commercial input from their supplies teams.
- Resource and cost pressures stifle innovation and force buyers in to short-term decision making.
- Contract management and supplier monitoring are often overlooked.
- Standardisation is difficult as the need for local choice is frequently over-stated. Many trusts maintain their needs are unique, even for commonplace and non-strategic items such as stationery.

For these reasons, except for rare individuals, there is little widespread interest in sustainable procurement amongst Trust Supply Managers. Implementation of common sustainability standards and practices is extremely difficult to co-ordinate.
**Poor procurement practices**
Due in part to the poor organisational design and resource constraints, procurement practices in the public sector often lag behind best practice in business. The category management method of procurement is being promoted by NHSPASA and the re:source collaborative procurement hub to encourage a more strategic approach to procurement. Poor procurement practices can also result in poor data quality and availability which is a major barrier as contract coverage, volumes and prices are unclear at trust level. This severely hampers co-ordinating collaborative procurement interventions and measuring benefits.

**Restrictive accounting rules**
The separation of capital and revenue budgets is a common barrier to sustainability and long term value for money. This is particularly significant on construction contracts – where additional energy saving measures may be unaffordable within the capital budget, even if they offer annual revenue savings.

The need to make yearly budget savings can hinder the achievement of longer-term savings in instances where a higher initial cost will lead to ongoing savings but is ruled out on the grounds of the annual budget. Departments may also be inclined to ensure they spend up to their limit in order to ensure their budget is not reduced for the next financial year. This can lead to unnecessary procurement and associated financial, environmental and social costs.

Accounting systems usually make limited provisions for factoring-in costs which are difficult to anticipate or which will not fall to the department or organisation making the procurement decision. The Treasury Green Book gives limited advice on this topic so it is best to specify sustainable solutions in order to avoid such externalities.

**in summary**
Many of the barriers commonly cited by public sector procurement officers should not prevent the public sector using procurement as a tool to support its public service objectives. Increasing professionalism and strategic approach to co-ordinating procurement at local, regional and national scales is vital to achieving this.
making progress on sustainable procurement

policy and strategy for action

**first steps**

One of the first steps to take to implement sustainable procurement is to put a clear policy in place. Ideally this policy will be integrated into the overall procurement policy. This will help ensure that sustainability doesn’t get sidelined and will reduce confusion. Whether you choose a separate policy or an integrated one it is important that commitment to sustainable procurement is visible and clearly communicated.

This policy will help in a number of ways:

- It communicates the intentions of the organisation to suppliers
- It will support requests to suppliers for information on sustainability performance and the inclusion of sustainability requirements in specifications
- It provides a focus for communication within your organisation
- Getting it signed by the CEO engages them with the agenda and communicates this top level support

As part of the Procuring Sustainable Health Project Forum for the Future helped to develop a Sustainable Procurement Policy for East Midlands NHS. The case study below shares our learning from this experience.

**the seven steps: creating successful procurement policy & strategy**

*The Seven Steps to Procurement Heaven* guide was written in response to the issues identified during our review of procurement strategies. It guides the reader through the process of building and communicating their strategy. The lessons are applicable to all public sector organisations. The basic elements of the Seven Steps are summarised below (see Resources section for details of full Seven Steps document):

**Step 1 – Securing top level commitment**

- Gain high-level commitment to sustainable procurement
- Compile a sustainable procurement policy
- The CEO should sign this policy and it should be communicated.

**Step 2 – Understanding the system**

- Understand the way environmental, social and economic processes fit together
- Understand the way the procurement system works (including the regulatory framework such as EU rules and Gershon).

**Step 3 – Defining success**

- Adopt a robust definition of sustainability to inform your vision
- Set objectives for sustainable procurement to use in decision-making.

**Step 4 – Establishing guiding principles**

- Identify good practice frameworks which provide guiding principles for progressing sustainable procurement such as the Flexible Framework in England and Scotland, and the Public Sector Sustainable Procurement Assessment Framework (SPAF) in Wales.
- Decide key questions which should be asked during procurement processes in order to assist strategic decision-making:
  a) Does this procurement decision contribute to sustainability objectives?
  b) Does this procurement decision give a flexible platform for future improvements?
  c) Does this decision represent efficient use of money – viable now and good value in the long term?
- Harmonise external and internal procurement drivers, including integrating environmental and social improvements with Gershon efficiencies in accordance with EU rules.
case study: developing a policy – re:source East Midlands NHS collaborative procurement hub

Forum For The Future worked with re:source, the East Midlands NHS collaborative procurement hub to develop a sustainable procurement policy. This policy was designed for all NHS organisations in the East Midlands and so contained three levels of commitment – ‘All Signatories’, ‘Intermediate’, and ‘Advanced’. Advanced commitments were most appropriate for implementation at the regional level by re:source. The policy was aligned with the Sustainable Procurement Task Force’s Flexible Framework so that progress against the policy will enable organisations to make progress against the Framework.

The Policy was endorsed by NHS trusts that form re:source’s shareholder board. Progress against the Policy was reviewed after 6 months and an action plan was developed to ensure re:source would meet likely requirements set out in forthcoming Health and Social Care Response to the Sustainable Procurement Task Force.

Key elements of the policy
Clear sustainability objectives
Commitment to key policy principles including:

- Spend analysis and prioritisation
- Demand review
- Sustainability review of planned purchases and identification of procurement actions to contribute to sustainability objectives
- Whole life costing
- Social enterprise and SME engagement
- Consideration of mandatory minimum standards
- Innovation and supplier development
- Training and implementation
- Communication and reporting
- Commitment to review policy to reflect key policy developments

Challenges
Communicating the policy at a local level has proved a key challenge. The policy was agreed by re:source shareholder Trusts. However, despite their agreement, few Trusts have taken forward commitments at the local level. Nottingham University Hospitals Trust formally adopted the policy gaining commitment from their Board. We have encouraged other Trusts to do the same to raise awareness of the policy and secure more commitment for action.

Consistently communicating the policy to suppliers effectively has also been a challenge. Re:source staff were initially unsure of how to use the policy with suppliers. After staff awareness raising re:source are now attaching the policy to most tender documents. Communicating the policy to existing suppliers is planned.

Step 5 – Committing to key high-level actions
- Commit to core aspects of a good procurement process such as spend analysis and prioritisation, demand review, sustainability review, social enterprise and SME engagement.

Step 6 – Identifying tools and resources to help staff deliver
- Support staff by identifying the tools, techniques, monitoring arrangements, guidance, and resources that should be drawn upon.

Step 7 – Doing it
- Outline the organisation’s timescales and targets.
- Encourage a combination of confidence building quick wins (such as adopting the Government’s Procurement Minimum Specifications”) and more ambitious projects to improve the sustainability of major contracts.
- Identify flagship projects to demonstrate good sustainable procurement practice.

putting policy into practice – sustainability in the procurement process

in order to put sustainable procurement into action many organisations will need to make some changes to their procurement process.

Good organisational design and a strategic hierarchy for local, regional and national procurement are important. Understanding the opportunities to take action at each stage of the procurement process is also vital. The Procuring Sustainable Health project focused on developing tools to integrate sustainability into the procurement process to guide buyers through the opportunities available at each stage. Much of the guidance outlined below is captured within Forum for the Future’s “Sustainable Procurement Toolkit” (see Appendix 3) that was developed and piloted during the project. This is a spreadsheet based tool which helps buyers to identify sustainability impacts and opportunities and guides them through realistic interventions throughout the procurement process.

Practical approaches to integrating sustainability into the procurement process are outlined below in three key areas:

1. Organisational design
2. Prioritising action across all spend or categories.
3. Taking action on individual contracts

**good organisational design**

Procurement in the NHS and the wider public sector would benefit from a procurement hierarchy to:

- maximise opportunities for efficiency and economies of scale to raise standards and reduce costs
- avoid overlooking opportunities for local sourcing to support SMEs and Social Enterprises.

The Local Government Sustainable Procurement Strategy supports increased local, regional and national collaboration. This is commendable, but would benefit from being organised through a more formal procurement hierarchy in order to achieve the most from the procurement expertise available within local government.

**National procurement**

National procurement organisations need volume commitment to achieve the greatest improvements in standards and cost reductions. This is also a pre-requisite for forward commitment. Collaboration across the public sector on common commodities can also help achieve improvements in standards and cost reductions.

National procurement is most suitable where requirements are broadly similar across organisations or departments and the supply market is highly concentrated amongst national and multi-national suppliers. It secures buying power and economies of scale to achieve the best long-term value for money and raise social and environmental standards.

National contracts are ideal for pharmaceuticals, medical consumables, medical equipment, vehicles and IT hardware.

A volume commitment from the NHS Trusts and Local Authorities, would help national organisations such as NHS PASA and OGC buying.solutions secure the best prices by enabling them to offer suppliers guaranteed business. Better quality purchasing and contract data would support this, giving better visibility of demand.

National contracts may be difficult to implement where local logistics and operations arrangements are complex and variable – such as waste contracts so careful selection of the right opportunities is important.

**Recommendation:** Where there is no local supply base, unique requirements or local complexity, all Trusts should commit to national contracts and this should be a priority for Local Authorities also.

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Regional procurement
In common with national procurement, regional procurement should focus on opportunities to harness volume commitment and economies of scale whilst raising social and environmental standards. Unlike national procurement, a closer relationship with local Trusts allows a regional approach to be more flexible in meeting local needs and circumstances. Regional procurement is ideal for contracts with complex logistics or operational interfaces, such as waste and patient transport.

Although Trusts are increasingly collaborating through hubs, they are still free to choose whether or not to participate in individual contracts. As with national contracts, true volume commitment and a lack of good purchasing data remain major barriers.

Recommendation: Where national coverage is difficult due to local logistics requirements, all Trusts should commit to regional contracts. Local Authorities can explore collaboration and procurement through sub-regional consortia where they offer good value.

Local procurement
Having freed up previously over-stretched Trust and Local Authority resources through increased national and regional procurement, local supply teams would be free to focus on developing local markets and participating in strategic contracts such as PFIs.

This enables an increase in supply from local farms, SMEs and Social Enterprises, supporting local employment and reducing health inequalities. It also reduces transport, freight and associated emissions. Construction and refurbishment, minor works, food and domiciliary care provide ideal local procurement opportunities.

The key barrier at local level is the lack of resources for local sourcing as too much time is spent on contracts which would be better managed regionally and nationally.

Recommendation: Greater uptake of national and regional contracts will release in-house resource to pursue local and sustainable contract opportunities. In addition, NHS Trusts and Local Authorities should make sure that regional and national procurement organisations are delivering sustainability benefits on their behalf.

spend analysis and prioritisation
Detailed spend analysis is essential for effective and efficient procurement and forms a core part of the annual planning cycle. It can also be used to prioritise sub-categories for sustainability improvement activities. The following criteria should be assessed at sub-category level:

- Level of spend
- Level of contract renewal activity
- Key suppliers by type and location (for example Multinational, National, SME, Social Enterprise/Overseas, UK, Regional, Local)
- Level of risk against each sustainability objective
- Scope for improvement (i.e. how much improvement is possible – environmentally, socially and financially)
- Level of influence (i.e. the ability of the organisation to achieve the above potential improvements, or to contribute to their achievement through collaboration and advocacy).

This enables buyers to prioritise sustainable procurement opportunities according to ease of implementation and level of impact. Using a simple prioritisation matrix, buyers can identify:

- Top priorities: high impact, easily implemented contracts for immediate delivery
- Quick wins: low impact opportunities which are easily implemented and useful to raise awareness and build momentum
- Long term objectives: whilst high impact, these are currently difficult or expensive to implement and should be addressed through a programme of longer-term market and supplier development.
- “Non-starters”: potential red herrings, these contracts have minimal sustainability impacts, are very difficult to address and best avoided.

The prioritisation matrix overleaf demonstrates in more detail how this process could take place for an NHS organisation.
**the procurement process – actions for individual contracts**

This section aims to guide buyers through actions that can be taken throughout a procurement process. It starts with some overarching principles, conducting a demand review and the sustainability review process. It then includes actions for the following stages:

- Advertising the Tender
- Pre-qualification of suppliers
- Defining specifications
- Using evaluation criteria
- Awarding contracts
- Monitoring and developing contracts post-award.
**Overarching principles**

There are two basic principles that underpin sustainable procurement and should be integral to the sourcing process.

**Upstream thinking:**

A buyer or designer’s ability to influence cost, performance and sustainability declines as the procurement process progresses.

To maximise opportunities for sustainability, it should be considered from the very outset of the procurement process.

**Lifecycle thinking:**

As with costs, sustainability impacts are created throughout the whole product lifecycle.

Buyers should think beyond their ownership of a product to consider all stages of production, transport and disposal.

The generic product lifecycle illustrates the benefit of recycling and reuse in avoiding raw materials and disposal impacts.
**demand review**

On notification of a new requirement or contract renewal, buyers should begin by challenging the requirement to reduce or eliminate the need for a new purchase. In this way, they can save money and avoid unnecessary social and environmental impacts.

The "Demand review tool" is part of Forum for the Future’s "Sustainable Procurement Toolkit". It provides a series of common sense questions to help buyers reduce or eliminate demand. The process recommended below is useful to all public sector organisations.

| What is the need for this product? | Avoiding unnecessary requisitions not only saves purchasing, handling and management costs, but also reduces the environmental impact of supplies. The following approaches target this “rogue spend”:
| --- | --- |
|  | • Approved product / supplier lists – ensuring only the best value for money and most sustainable products are issued.
|  | • Mandatory business cases for non-approved items – only procure items if there is a proven clinical or business need. |

| What would prevent the need for this product? | There are several examples where “lateral thinking” can reduce or eliminate the need for products:
| --- | --- |
|  | • switching to reusable packaging reduces waste disposal collections
|  | • selecting energy efficient equipment and appliances and smart building design eliminated the need for air conditioning
|  | • high pressure steam cleaners avoid using cleaning chemicals
|  | • phasing out hazardous cleaning chemicals makes personal protective equipment unnecessary |

| Is this product already in use and could be shared with existing owners? If purchased, could you share with other users? | If a similar resource is currently in part-time use elsewhere in your organisation, or even in an outside organisation, check to see whether it is available to share.
| --- | --- |
|  | • Tools and cleaning equipment – specialist equipment may spend most of its life in store.
|  | • IT equipment – projectors, laptops
|  | • Vehicles – non-emergency transport could be combined with deliveries between sites |

| Can existing assets be refurbished, repaired or upgraded? | The following examples may be refurbished or upgraded to extend their useful life and avoid any additional purchases:
| --- | --- |
|  | • IT equipment – most PCs are modular, allowing new motherboards and additional memory, storage devices and peripherals to be added.
|  | • Furniture – old furniture may be re-upholstered with more fire resistant and hygienic fabrics.
|  | • Buildings – these are frequently refurbished for new uses and may be fitted with more efficient lighting, heating and ventilation.

These examples also encourage investment in local skills and trades.
If this product is disposable, what re-usable alternatives exist?

<table>
<thead>
<tr>
<th>Single use items generate a constant waste stream as well as ongoing emissions, energy and resource consumption through their production. This creates higher purchase and disposal costs. Re-usable alternatives to disposable items include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Refillable printer and toners cartridges, pens and pencils</td>
</tr>
<tr>
<td>- Re-usable packaging – durable plastic crates, pallets, bottles and containers</td>
</tr>
<tr>
<td>- Washable nappies and incontinence products</td>
</tr>
<tr>
<td>- Washable surgical drapes, scrubs, masks, curtains and bed linen</td>
</tr>
</tbody>
</table>

Can the volume/scale of this product be reduced?

<table>
<thead>
<tr>
<th>Careful stock control and demand forecasting will reduce the cost and wastage associated with over-provisioning (or buying too much!). This is particularly true of items with controlled shelf lives or best-before dates, such as:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Food</td>
</tr>
<tr>
<td>- Drugs and pharmaceuticals</td>
</tr>
<tr>
<td>- Chemicals and reagents</td>
</tr>
<tr>
<td>Other items such as consumables and spare parts may suffer from obsolescence. For example, stocks of printer cartridges may be wasted if printers are replaced.</td>
</tr>
</tbody>
</table>

Can this product be delivered as a service?

<table>
<thead>
<tr>
<th>Moving from product purchasing, ownership and disposal to being the recipient of a service offers whole life cost savings and environmental benefits. It becomes the supplier's interest to minimise materials and energy consumption and upkeep and disposal costs and maximise the product lifespan and upgradeability. Examples include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Carpet leasing: customer pays annual fee for flooring services. Contractor retains ownership of carpet and recovers and recycles worn or damaged tiles.</td>
</tr>
<tr>
<td>- Print services: customer pays by print volume. Contractor owns multi-function printer/copiers, minimises paper usage and upgrades equipment as required.</td>
</tr>
<tr>
<td>- Chemical management: contractor owns and manages lab reagents, solvents and developing chemicals and recovers after usage. This reduces operating cost and effluent charges.</td>
</tr>
</tbody>
</table>

Can this product be hired?

<table>
<thead>
<tr>
<th>For products with seasonal or erratic usage or intended to cope with peak demands, it may be more cost effective to hire short term. These items can then benefit another user when not required:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Tools and cleaning equipment</td>
</tr>
<tr>
<td>- IT equipment – projectors, laptops</td>
</tr>
<tr>
<td>- Vehicles – pool cars and non-emergency transport for peak periods</td>
</tr>
</tbody>
</table>
**sustainability review**

Following the demand review, the planned procurement exercise should be reviewed to identify potential impacts and opportunities against each of the organisation’s sustainability objectives. These can be prioritised by comparing the magnitude of impact against the likelihood or probability of it occurring. In this way, buyers can prioritise the highest impact aspects of the procurement they are undertaking and identify appropriate interventions and mitigating measures throughout the tender process.

Appendix 2 includes a more detailed discussion of the issues that should be considered when reviewing planned procurement exercises against the sustainability objectives that we identified on page 8. Appendix 3 includes an overview of the Sustainable Procurement Toolkit developed during this project. The toolkit is designed to help buyers conduct a sustainability review. It also includes details of practical actions that can be taken at each stage of the procurement process. These practical actions are outlined below.

**OJEU notice and advertising the tender**

It’s an EU requirement that all tenders over the EU threshold are advertised in the Official Journal of the European Union (OJEU) (and its online Tenders Electronic Database). This is essential to notify suppliers across the EU and enable them to bid for the contracts. There are a number of ways in which this requirement can help promote sustainability:

- In the description of services, emphasise the importance of sustainability.
  - For example, rather than seeking “Waste disposal services”, advertise for “Waste management and minimisation services”.
- Emphasise additional social and environmental outcomes or community benefits you expect the contract to also deliver.
- Include “social and environmental performance” within the evaluation criteria listed.

These measures not only ensure you are considering sustainable outcomes from the outset but also raise the profile of sustainability amongst potential suppliers.

**Local advertisement**

As well as advertising in OJEU, and for all sub-threshold contracts, buyers should advertise in local media and websites. This is essential to notify local SMEs and Social Enterprises: a vital measure to encourage local firms to compete for business.

A number of websites are available in the East Midlands and nationally, including:

- SourceEastMidlands.co.uk
- Supply2.Gov.uk
- NearBuyYou.co.uk

Many organisations also back this up with their own dedicated web resource on ‘doing business with the Council/Trust’. This can help potential suppliers understand your requirements, including your sustainability objectives.

**pre-qualification**

In public sector procurement, there is limited scope for addressing sustainability through pre-qualification criteria. Caution should be exercised because, according to EU guidance:

- Factors used to evaluate bidders at pre-qualification can not be revisited later in the tender process
- Measures such as Environmental Management Systems are deemed irrelevant unless the supplier is providing on-site services

In general, allowable prequalification criteria include:

- No prosecutions for environmental or health and safety breaches within a given period.
- Demonstration of how suppliers could support Trust’s Good Corporate Citizenship agenda or councils’ Corporate Plans and Community Strategies.

For service provision on public sector organisation’s sites:

- Evidence of environmental and health and safety policies and management systems to demonstrate ability to comply to that organisations standards whilst on site for example an Environmental Management System.
buying a better world: sustainable public procurement

The International Labour Organisation (ILO) standards are enshrined in international law and provide minimum standards for pay and working conditions. These form the basis of most standards and codes of practice that are available relating to fair pay and working conditions. Examples include:

- The Ethical Trade Initiative ‘Base Code’
- SA8000 – a supplier standard following a similar process to ISO14000 and ISO9000 standards
- Clean Clothes Campaign
- Company’s own ethical trading or labour standards policies.

The degree of evidence that it is feasible to demand is dependent on a number of factors – in particular suppliers’ in-house resource to collect evidence or fund third party verification and the buyer’s resource to scrutinise the information. Care should be taken not to penalise smaller firms which may lack this resource.

1. Methods of implementation

In order of increasing rigour and cost, evidence includes:

- Statement of working practices
- Detailed ethical trading / labour policies
- Self-assessment audit
- Third party audit
- Fairtrade or equivalent label

In the private sector, buyers often use third party auditors to verify their suppliers’ performance – often collaborating with industry competitors to share costs.

2. Scope of coverage:

Ideally, the full supply chain should meet ILO standards but evidencing this is resource intensive beyond the tier 1 and its major tier 2 suppliers. Options include:

- Tier 1 only – this may be ineffective where the T1 supplier is a distributor or wholesaler and not responsible for manufacturing
- Tier 1 & major Tier 2 – usually a reasonable compromise
- Full supply chain – usually impractical unless suppliers are part of an existing scheme (such as Ethical Trading Initiative (ETI) or FairTrade)

Decisions on the appropriate scope should be based on a risk assessment of the specific sectors and the extent of their developing world supply chains.

Table 1: standards and evidence for fair pay and working conditions

| What standards should be required? | The International Labour Organisation (ILO) standards are enshrined in international law and provide minimum standards for pay and working conditions. These form the basis of most standards and codes of practice that are available relating to fair pay and working conditions. Examples include:
|                                | - The Ethical Trade Initiative ‘Base Code’
|                                | - SA8000 – a supplier standard following a similar process to ISO14000 and ISO9000 standards
|                                | - Clean Clothes Campaign
|                                | - Company’s own ethical trading or labour standards policies. |
| What would evidence of good practice look like? | The degree of evidence that it is feasible to demand is dependent on a number of factors – in particular suppliers’ in-house resource to collect evidence or fund third party verification and the buyer’s resource to scrutinise the information. Care should be taken not to penalise smaller firms which may lack this resource. |
|                                | 1. Methods of implementation
|                                | In order of increasing rigour and cost, evidence includes:
|                                | - Statement of working practices
|                                | - Detailed ethical trading / labour policies
|                                | - Self-assessment audit
|                                | - Third party audit
|                                | - Fairtrade or equivalent label
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|                                | Ideally, the full supply chain should meet ILO standards but evidencing this is resource intensive beyond the tier 1 and its major tier 2 suppliers. Options include:
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|                                | - Tier 1 & major Tier 2 – usually a reasonable compromise
|                                | - Full supply chain – usually impractical unless suppliers are part of an existing scheme (such as Ethical Trading Initiative (ETI) or FairTrade)
|                                | Decisions on the appropriate scope should be based on a risk assessment of the specific sectors and the extent of their developing world supply chains. |
Pre-qualifying according to “fair pay and working conditions”:
Prequalification provides an opportunity to shortlist only those suppliers able to demonstrate a commitment to working towards fair pay and working conditions in their supply chains. Private sector firms are free to make this requirement. Concerns amongst public sector buyers about whether this permissible for public sector contracts under EU law are common but largely unfounded.

FairTrade and equivalent schemes have been recognised and used by many public sector organisations as valid requirements at the specification stage. Office of Government Commerce (OGC) guidance on social issues in procurement focuses on convictions under national legislation of the country supplying the goods or proven misconduct. They warn that not all countries have signed up to the International Labour Organisations (ILO) conventions making this approach unsuitable for use with all countries. In reality however, most countries have signed up to ILO conventions meaning it is rarely and unacceptable approach. Also, enforcement of labour laws is often poor in developing countries. This means it is more effective, and entirely legitimate, to consider evidence from suppliers of pro-active approaches to improving pay and working conditions rather than relying on in-country law enforcement to protect workers, and your organisation’s reputation.

Methods that could be used by public sector buyers to find information about convictions or misconduct could include:
- pre-qualification questionnaire
- questions included in tender documents about legal convictions and compliance record
- information supplied by other relevant bodies (e.g. other government departments, trade unions, NGOs, commercial ethical screening research bodies).

Buyers choosing to pre-qualify on this basis have a number of options in terms of the standards and evidence they can seek from suppliers (outlined in Table 1 on page 25). The level of ambition that is appropriate may depend on how well developed the particular industry sector in question in taking action on fair pay and working conditions.

**specifications**
Provided they are relevant to the subject matter of the contract, buyers have enormous freedom within the specifications they set – making this the most effective stage in the procurement process to design-in sustainability. Specifications should be used to establish minimum acceptable performance – actively excluding undesirable features and specifying-in positive aspects. There are three main types of specifications that can be used:

<table>
<thead>
<tr>
<th>Process</th>
<th>Attribute</th>
<th>Performance/Functional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specify the way in which the product is grown, manufactured or delivered.</td>
<td>Specify a physical characteristic of the product.</td>
<td>Specify the minimum level of performance required.</td>
</tr>
<tr>
<td>Organic</td>
<td>Recycled content</td>
<td>Energy/fuel efficiency</td>
</tr>
<tr>
<td>Free range</td>
<td>Mercury free</td>
<td>Carbon emissions</td>
</tr>
<tr>
<td>Sustainably managed timber and fisheries</td>
<td>Non-toxic</td>
<td>Water efficiency</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>Chlorine free paper</td>
<td>Minimum usage life</td>
</tr>
<tr>
<td>Disposable/reusable</td>
<td>Hybrid transmission</td>
<td>Strength/durability</td>
</tr>
<tr>
<td>Non-toxic</td>
<td>Hybrid transmission</td>
<td>Nutritional content</td>
</tr>
<tr>
<td>Organic</td>
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<td>Hybrid transmission</td>
<td>Nutritional content</td>
</tr>
</tbody>
</table>

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10 A background paper on Labour Standards in Public Procurement, based on Office of Government Commerce guidance, was prepared by Ergon Associates for DFID Labour Standards and Poverty Reduction in May 2007.
Market testing specifications

Regardless of what combination of specifications are chosen, it is vital to market test these with suppliers before formally going out to tender. This ensures that the specifications are challenging but still deliverable by sufficient suppliers to maintain competition.

Pre-tender supplier briefings, along with Requests for Information, enable buyers to gauge existing products and performance. They provide the most effective means to assess specifications and engage potential suppliers in constructive dialogue.

Supplier engagement is particularly important to involve SMEs and Social Enterprises:

- to ensure the contract is structured to enable supply from smaller firms
- to identify potential community benefits/innovations these firms could offer

When unsure whether a specification is deliverable, buyers should consider:

- requesting variations from suppliers
- relaxing the minimum standard demanded within the specifications and using evaluation to reward performance above and beyond this level

Using Ecolabels to inform specifications

Ecolabel schemes define sustainable specifications for a wide range of products and services. In return for a certification fee, they review applicants’ products against these standards. Successful suppliers awarded certification can use the ecolabel on their advertising and are listed on the relevant ecolabel’s supplier database.

A range of ecolabels are available. Multi-issue labels are predominant in Europe – such as the EU, Nordic Swan and Blue Angel schemes. 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).

Because of the fees involved in applying for ecolabel certification, EU Procurement Directives do not allow buyers to demand ecolabel products as part of their specifications as this could discriminate against smaller firms.

Instead, it is permissible to demand products perform to “eco-label equivalent standards”. This can be demonstrated through either certification to the ecolabel itself – or through alternative evidence and documentation.

Ecolabels provide a hugely valuable source of “ready made” sustainable specifications. These can be downloaded from most ecolabel websites and reproduced within tenders.

As always, care should be taken to market test these specifications to ensure they are deliverable and verifiable. Some ecolabels have relatively few products certified against them. This may be because certification is perceived by suppliers as an unnecessary expense, with insufficient demand from their customer base. It may also be because ecolabels set their specifications too high, beyond the level which most mainstream suppliers are able to meet.

Government has developed minimum specifications for a range of products – often called ‘The Quick Wins’. These have been market tested and should be deliverable by most suppliers. They can be used as a minimum requirement but many suppliers may be able to provide more sustainable options.

**evaluation criteria**

Evaluation criteria are no substitute for effective specifications. If specifications haven’t covered sustainability requirements, suppliers may not have provided information to allow effective evaluation of sustainability performance. However, evaluation is important. There are four main ways to support sustainability at the evaluation stage:

1. **Rewarding exceptional performance**

   In the absence of good market intelligence, buyers may be unsure how challenging to make their specifications. Whilst specifications can set a minimum standard, evaluation criteria can be used to reward performance or features above and beyond this. This approach can also be used where one supplier clearly outperforms the marketplace but a buyer is reluctant to narrow down competition to this extent.

   For example, for vehicle carbon emissions:

   **Specification:** Minimum standard < 150 gCO₂/km
   **Evaluation:** One point awarded for every 10g below this threshold

   In this manner, buyers will only consider vehicles below the 150g threshold but will award extra credit to suppliers outperforming this target.

2. **Making qualitative judgements**

   For services, suppliers should be asked to summarise their experience and provide method statements as part of their tender responses. As part of this, buyers can assess the following as part of evaluation:

   - **Approach to sustainability:** suppliers should recognise the main social and environmental risks involved with their service and identify adequate measures to manage them.
   - **Cultural fit:** the supplier should be culturally sensitive to the customer base they serve. This is particularly important for health and social care contracts where a tailored approach can drastically improve the effectiveness of care.
   - **Support for wider organisational objectives:** suppliers should be rewarded where their approach is shown to support wider objectives such as social justice, training, regeneration or health.

3. **“Fit for purpose” assessments**

   Buyers should recognise that whilst some products may be insufficiently robust (leading to high repair and replacement costs) others may have been over-engineered at unnecessary expense – neither represent sustainable resource use.
4. Whole life costing

Costs will always be central to any evaluation of value for money but buyers should avoid assessments based on purchase price alone. As referred to previously, this benefits more sustainable products and services which typically have lower running and disposal costs. Whole life costing is particularly important for assets but also enables comparison of disposable and reusable products.

Whole life cost data will vary from product to product and according to the boundaries buyers set for analysis. In the first instance, buyers are only likely to consider costs that affect their own organisations directly. A more detailed analysis might identify costs for the public sector as a whole or even for society at large. In this way, social and environmental “externalities” can be reflected – such as the impact of carbon emissions or health on the economy.

Some externalities will directly impact on the demand for NHS services – particularly where NHS procurement contributes to negative health impacts.

A range of other issues are considered as part of whole life costing.

Asset life and model timescales
- The duration of the model should reflect the life of the assets being compared. This is particularly important when comparing disposable and reusable items. For example, re-usable surgeon’s gowns are guaranteed for 70 washes whereas disposable items are single use.
- The asset life should also reflect the likely obsolescence of rapidly changing technologies. Whilst an upgradeable pc may last five years before replacement, alternative models may last only three years before they are scrapped – even if they are still functional.

Price indices
- Wages, water, fuel and electricity charges and consumables costs aren’t static – particularly over the long lifetime of capital assets like buildings.

Table 2: Whole life costs and externalities

<table>
<thead>
<tr>
<th>Direct costs to purchasing organisation</th>
<th>Externalities impacting public sector &amp; society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>Health and social care costs</td>
</tr>
<tr>
<td>Delivery</td>
<td>Benefits payments</td>
</tr>
<tr>
<td>Installation &amp; commissioning</td>
<td>Crime &amp; security measures</td>
</tr>
<tr>
<td>Energy &amp; fuel</td>
<td>Climate change adaptation</td>
</tr>
<tr>
<td>Water</td>
<td>Waste &amp; emissions control</td>
</tr>
<tr>
<td>Consumables</td>
<td>Congestion &amp; accidents</td>
</tr>
<tr>
<td>Operating waste</td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td></td>
</tr>
<tr>
<td>Health &amp; safety</td>
<td></td>
</tr>
<tr>
<td>Maintenance &amp; repair</td>
<td></td>
</tr>
<tr>
<td>Decommissioning</td>
<td></td>
</tr>
<tr>
<td>Disposal</td>
<td></td>
</tr>
</tbody>
</table>
Robust cost models should include price indices reflecting the anticipating increase in these costs. This again helps make a clear business case in support of the lower operating costs of sustainable products.

There are two methods to compare whole life costs:

- Total cost of ownership: this is simply the sum total of all the costs incurred during the cost model.
- Net present value: this is a discounted cash flow which reflects the timing and opportunity cost of capital tied up in assets and materials.

**Risk**

More sophisticated cost models also incorporate risk, reflecting the uncertainty surrounding costs and performance of any investment.

A simple way to assess risk is to apply a basic sensitivity analysis by comparing expected costs with a 10% increase and a 10% decrease in each variable.

Complex models for large contracts will compare multiple scenarios, plotting a distribution of total cost against probability.

**Terms and Conditions and Contract Negotiation**

Most organisations have their own standard Terms and Conditions which are included as part of the Invitation to Tender documentation against which suppliers bids. This ensures that bidders are aware of all potential requirements which may impact on their costs and risks. Additional clauses are often introduced as part of contract negotiation. In general, these are equally applicable for sustainable procurement as they ensure that suppliers:

- Can not make changes to their products, services or deliveries without adequate consultation and agreement of their customers,
- Will provide necessary management information in a timely manner,
- Accept liability for unsatisfactory performance (quality, on time delivery, service) within defined limits.

Terms and Conditions typically detail the penalties and consequences incurred by suppliers who fail to meet these requirements.

Suppliers will also seek to manage their risk by requiring their customers to commit to specific measures as part of the contract terms. These include:

- Timely and adequate forecasts and order information
- Maximum credit periods
- Specific service conditions, such adequate waste segregation and site access for recycling contracts.

Buyers should review their standard Terms and Conditions to ensure any additional sustainability requirements are reflected – such as restricting changes to packaging materials.

**Supplier commitments**

Where a specific requirement can’t be delivered through the tender process, Terms and Conditions can be used to make supplier’s commitments binding within the contract. Over a defined period, a supplier could commit to:

- Increasing the recycled content of a product
- Phasing out hazardous materials
- Switching to sustainably managed timber
- Implementing an Environmental Management System
- Improving wages and working conditions through its supply chain.

Alternatively, these measures could be incorporated in to a Memorandum of Understanding, although this would not be contractually binding.

**Gainshare and Incentives**

Although there are many examples where profitability and sustainability go hand in hand for suppliers, there are occasions where improving sustainability is not in suppliers’ short term financial interests. Examples include:

- Water, gas and electricity suppliers may be reluctant to suggest efficiency improvements which will reduce the value of their bills
- Waste contractors who are paid by the tonne may have little interest in reducing waste at source or improving recycling and composting
- IT equipment has technological obsolescence and short lifecycles and is more often replaced than upgraded.
In these cases, a combination of incentives and penalties may be necessary to re-align profits with sustainability. This also benefits purchasers by transferring risk and linking cost savings with contractor profitability. Examples from the waste industry include:

**Target driven bonus**  Contractor is paid a bonus on achieving desired recycling rates

**Savings gainshare**  Savings from reducing waste and improving recycling are shared between customer and contractor in an agreed split

**Fixed price contract**  Contractor is paid a fixed price regardless of changing waste volumes: contractor makes more profit by reducing waste volumes.

Targets and savings are usually measured relative to baseline data gathered during an initial bedding in period. Care should be taken to ensure this data is representative and not skewed by strong seasonality (such as heating fuel use) – in which case a longer baseline period will be necessary.

### post contract award

**Monitoring and Review**

Performance monitoring is essential throughout the life of the contract to ensure the supplier continues to deliver according to the agreed specifications and Terms and Conditions.

Sustainability fits well in to the balanced scorecard approach used by many private sector buyers. Social and environmental performance can be monitored and scored alongside quality, delivery, service and costs. Should any individual score or the combined total show a downward trend or fall below an agreed threshold, the supplier will have to take corrective action. Historic supplier performance ratings can also be used as part of the prequalification and evaluation stages.

Public sector bodies often lack the resource to undertake such detailed performance monitoring. As a minimum, buyers should remain in regular contact with their internal customers and users to ensure quality remains adequate and that there are no unexpected changes to design and specifications.

### Supplier Development

What can’t be delivered through the tender process can be targeted through supplier development. Although this can be made a requirement through Terms and Conditions (see above), this is usually achieved on a voluntary basis – being mutually advantageous for both customer and supplier.

Potential initiatives could include:

- Supply chain carbon foot-printing
- Efficiency improvements
- Product traceability
- Product sustainability review
- Environmental Management System implementation
- Labour standards audit

As these activities may require significant resource and investment, they are most successful within the context of a long-term supplier relationship.

### if you don’t ask you don’t get

There are many actions that can be taken throughout the procurement process to secure better social, economic and environmental outcomes from procurement. The first step that any organisation needs to take is to make the decision to try to achieve better outcomes. The next step is to actually asking for these outcomes. Although an increasing number of companies are starting to take sustainable development seriously, many will only act when customers start to ask questions. As we outline above, there are many ways of doing this at different stages of the procurement process. For any procurement exercise the actions above may achieve different levels of success. The market may not be able deliver all the sustainability outcomes you require at a price you can afford. Asking the questions and challenging suppliers to improve their performance will have an impact – it will help public sector spending benefit the public through protecting their health and well-being and contributing to a sustainable future.
what are you waiting for?

whether it is the images of polar bears drowning, films like ‘An Inconvenient Truth’ or the growing pile of learned reports, the evidence is sinking in and this country seems, at last, to be waking-up to sustainability.

In the business community, companies are increasingly responding to their customers’ demands for more environmentally friendly products and better working conditions in their supply chains. The public sector should become a more demanding customer. Its huge spending power can become a significant force for change.

Our experiences in the BEST Procurement Programme have highlighted that this spending is not yet being used as much as is could be to create the positive changes for communities and our environment. Organisations trying to use their spending power as a force for change will face challenges, not least developing the new skills and knowledge. Organisations will also need to find new ways of collaborating to drive change effectively. By taking on this challenge public sector organisations will ensure that their resources are used for maximum benefit in both the short and the long-term. Systematically considering the full range of opportunities to improve the social, economic and environmental impact of public sector spending is vital to achieve these benefits, and a prosperous future.

useful resources

BEST procurement resources

Resources available from Forum for the Future:
- Sustainable Procurement Toolkit (see appendix 3 for more details)
- Case studies of NHS pilot contracts (see appendix 1 for summaries)
- Sustainable Procurement Training Presentation
- Workshop for benchmarking progress with sustainable procurement: template for running benchmarking workshop with a local authority.
- Sustainable Procurement Resources Spreadsheet
- Seven Steps to Procurement Heaven: guide to creating successful procurement policy and strategy

Email: publicsector@forumforthefuture.org.uk
www.forumforthefuture.org.uk

Social Enterprise and the Public Sector: A practical Guide to Law and Policy
A legal guide to commissioning and procuring public services. Written with a focus on social enterprise it has wider application across the third sector.
www.seem.uk.net

Specification Writing for Community Benefits Website
Free on-line learning resource to help local authority employees understand how to include community benefits into specification writing
www.specification-writing.info

Sustainable Procurement Information Network
(funded by East Midlands Centre of Excellence).
www.s-p-i-n.co.uk

Guides about social enterprise selling to the public sector including case studies
**other useful resources**

- NHS Good Corporate Citizenship Toolkit  
  www.corporatecitizen.nhs.uk/

- Public Sector Food Procurement Initiative  
  Latest guidance available in the recently published document – Putting it into Practice: advice for promoting healthy food and improving the sustainability and efficiency of food procurement, catering services and supply, November 2007  

- Procura+ Sustainable Procurement Campaign  
  Helping public authorities across Europe implement sustainable procurement. Free Procura+ Manual is available via their website including detailed guidance and advice on sustainable specifications. Procura+ Secretariat is managed by ICLEI – Local Governments for Sustainability.  
  http://www.procuraplus.org/

- Sustainable Procurement Cupboard  
  A framework for procurement professionals to find case studies, tools, primary documents, and contacts to deliver on multiple public sector targets set up by the New Economics Foundations  
  www.procurementcupboard.org/

- Central Point of Expertise in Timber Procurement  
  www.proforest.net/cpet

- NHS Social Enterprise Network  
  A national network for those with an interest in social enterprise and social entrepreneurship in health and care.  
  http://www.networks.nhs.uk/networks/page/155

- Social Enterprise Coalition  
  The National Body for Social Enterprise – a useful source of information about the benefits of social enterprise and ways to contact social enterprise networks across the UK.  
  www.socialenterprise.org.uk

**key policy**


  www.sustainable-development.gov.uk/government/estates/index.htm#sustainableprocurement

- Procuring for Health and Sustainability 2012: Health and Social Care response to Sustainable procurement Task Force report.  
  www.pasa.nhs.uk/PASAWeb/NHSprocurement/Sustainabledevelopment/Procurement.htm

- Local Government Sustainable Procurement Strategy  
  www.lga.gov.uk/Publication.asp?Section=0&id=SX63D6-A784BAA4

- National Programme for Third Sector Commissioning  
  www.idea.gov.uk
This appendix summarises the pilot contracts undertaken as part of the Procuring Sustainable Health Project. This summary does not represent a list of outstanding success stories. It summarises attempts to integrate sustainability into real contracts in organisations that may have had relatively little experience of sustainable procurement. More in depth case studies are available detailing the learning from completed procurement exercises. Further case studies are planned when remaining procurement exercises are completed.

**Hospital food**

Analysis of social, environmental and economic costs, including costs of damaged health, of procurement of unsustainable food was carried out for Sustainable Procurement Task force (with joint funding from ESF). Nottingham University Hospital Trust sourced pre-prepared food from outside the East Midlands. This arrangement was compared with sustainably produced, locally prepared food. Extrapolating from this case study material showed that putting NHS food procurement onto an environmentally-sustainable footing would cut a host of social and environmental impacts, whilst saving around £25 million at the same time.

**Community Cafes in LIFT Centres**

A strategic meeting organised by the Procuring Sustainable Health Project kick-started the opportunity to develop community cafes in LIFT centres in Greater Nottingham (LIFT (Local Investment Finance Trust) Centres incorporate health and local council services in one location). Chairs of several PCT were able to share ideas about development of Community Cafes as a practical example of Good Corporate Citizenship. Social Enterprise East Midlands introduced the Trusts to a social enterprise – Affirmative Business, who already had a track record running another community cafe. Together one of the Trusts and Affirmative Business developed the case for the cafe at one LIFT Centre.

**Benefits of the cafe include:**

- Engagement with local community
- Involving current or previous service users of health or social care with potential benefits
- Moving individuals into employment through graded steps – any staff start as volunteers and progress to paid positions
- Local sourcing of food including from local allotment projects
- Use of biodegradable and re-useable cups and plates etc. to minimise waste
- Promotion of Public Health message via the cafe including healthy eating sessions for schools

**Desktop and laptop computers**

Re:source, the NHS East Midlands collaborative procurement hub conducted a regional procurement for desktop and laptop computers. Specifications included mandatory criteria for energy consumption, and compliance with RoHS and WEEE Directives. Desirable criteria were included to address better energy efficiency; recyclable design; exclusion of hazardous materials; upgradeability; packaging materials. While achieving higher sustainability standards some Trusts also achieved up to 30% cost savings.

**Construction – LIFT Centre**

A Primary Care Trust and Council are funding LIFT health centres. Forum For The Future supported the early stages of the procurement of a new LIFT Centre – working with the PCT team, its technical advisors and private sector contractors. Key intervention points that provide the basis for design and costing were identified along with two approaches for expressing sustainability requirements. The Forum facilitated a workshop to evaluate feasibility of different technologies and approaches for the centre. A simple approach of using functional specifications was recommended to reduce the Trust’s exposure to risk and allow contractors freedom to innovate.
Functional performance levels for energy efficiency, water efficiency, BREEAM/NEAT ‘excellent’ rating, at least 20% recycled content by value, and application of considerate constructor scheme were included.

**Multi-function devices (printer rationalisation),** re:source aimed to undertake a regional procurement exercise to reduce costs of NHS printing. Sustainability impacts and opportunities were identified using Forum for the Future’s Sustainable Procurement Toolkit. A sourcing group, involving representatives of participating Trusts and re:source staff, determined which sustainability criteria to seek from suppliers. Guidance was produced for Trusts on energy management and assessing potential energy savings. This was designed to help them foster support for printer rationalisation process by highlighting benefits. A pilot with three Trusts is currently being set up.

**Non-emergency patient transport**

The main impacts associated with transport are vehicles’ carbon emissions, noise and air pollution and congestion. Avoiding unnecessary journeys, increasing occupancy, incentivising contractor efficiency, reducing journey distance, improving vehicle efficiency can reduce these impacts. Community transport social enterprises could supply this service with added community benefits. Demand for significant immediate cost savings lead to large tender lot to encourage private ambulance firms to bid – local community transport providers were not able to bid due to geographical scale and time frame of the tender. Fixed price contracts were proposed to incentivise efficiency savings but no specific environmental requirements were set.

**Surgical gowns and drapes**

Disposable and re-usable gowns and drapes were compared for a hospital. Available Life Cycle Analyses were reviewed and sustainability impacts compared. Conflicting information in the analyses, potentially due to bias in the organisations that commissioned the studies, highlighted the need to consider bias when using these studies. With the exception of general theatre where disposable drapes were provided in procedure packs, the hospital switched to re-usable drapes for cost reasons.

More recently the hospital are considering returning to disposable drapes citing infection control as the reason.

**Hand driers**

A comparison of paper towels, standard hand-driers and air-blade driers showed that the airblade driers use less energy so deliver environmental and cost benefits. The Hospital has undertaken a tender for the energy efficient airblade driers.

**Cleaning materials**

A hospitals Trust wanted to review the sustainability of cleaning materials from NHS Logistics. Sustainability issues were analysed and three key recommendations made, 1. reduce chemical usage, 2. specify out hazardous materials, 3. choose sustainable packaging. The Trust did not take pursue these recommendations due to staff changes.

**Staff uniforms**

Sustainability issues were reviewed for re:source using Forum For The Future’s Sustainable Procurement Toolkit. Recommendations were made to the sourcing group to: 1. use Government ‘Quick Win’ standard as a minimum environmental specification and reward performance beyond this; 2. encourage suppliers to address fair labour standards; 3. specify minimal packaging, 4. consider local lotting and keeping the option to separate fitting, repair and alteration service for potential pilot with local SMEs/social enterprise. Forum for the Future proposed certain details that could be gathered from suppliers by re:source’s technical consultants to help market test some of these recommendations. Suppliers were invited to provide details of how they would meet some of the recommendations. This procurement exercise has not yet been completed.

**Waste management and minimisation**

Nottingham University Hospitals Trusts wanted to contract an organisation to manage the waste arising from their two large hospital sites. Increasing segregation of clinical waste, to reduce costs, and recycling more domestic waste were two key goals. They sought a contract that would take a total waste management approach, and would actively manage a Trust wide waste minimisation programme.
A gain share initiative was proposed to incentivise contractors to implement effective waste minimisation activities. NUH were also keen to reduce the environmental impacts of their waste which was primarily being transported out of the region and incinerated. Suppliers were briefed prior to the invitation to tender being issued to help them understand the Trust’s requirements. An overarching waste minimisation contract was not achieved but reduction in environmental impacts will be achieved as a local company will be recycling the clinical waste from one site reducing transport and incineration. This change was cost neutral and may produce additional savings through a gain-share proposed for year 2 of the contract.

**Land-sale consultancy**
A Primary Care Trust wanted to secure benefits for the community when they disposed of an old hospital site. Forum for the Future recommended some requirements that could be included in the tender documents being used to procure consultancy and project management support to manage the disposal and development of the land. The recommendations focused on securing the services of a consultancy organisation that had understanding and experience of incorporating community benefits into developments. The commercial case for requesting this experience was clear as local planning policy, that governs the release of land for housing and other developments, favours developments that will contribute towards sustainable communities. This tender has not yet been completed.

**Travel and transport services**
Re:source were asked by a number of Trusts to procure a simple and efficient Travel Service. Cutting carbon emissions and improving health through active travel can be potentially achieved through promoting sustainable travel. Transport service providers were able to tailor their services to reflect organisational travel policies and offered support in drafting policies, including sustainability elements. There was little engagement from Trusts and no appetite to make significant changes to travel policies or travel expense payments to support sustainable transport choices. The chosen framework supplier was able to offer carbon emissions reporting as part of their standard customer reporting. A positive step was taken to highlight this in the instruction manual for users and also to provide advice about sustainable transport choices. Trusts need to individually introduce measures and appropriate policies to encourage healthier, less polluting travel choices – information in customer reports from the new travel services supplier can help engage staff, visitors and patients in this process.

**Purchased healthcare (low secure services)**
Purchased healthcare is a key area where social enterprises can offer additional benefits to patients and the NHS. ‘Low-Secure Services’ was the first service to undergo regional procurement through re:source. The contract was advertised locally, open to organisations of different sizes and geographical coverage. Meetings were held with suppliers to raise awareness of customer requirements but no deliberate attempts were made to engage with local social enterprises. At PQQ stage suppliers were asked for their environmental policy. Forum for the Future made recommendations detailing the opportunities at each stage of the procurement process and provided supplementary clauses for tender documentation. Environmental questions were designed for site audits ensuring they were suitable for organisations of different sizes to avoid creating barriers for smaller organisations. Re:source staff were put in touch with relevant social enterprise co-ordination bodies from BEST Procurement partnership. This contract is currently out to tender.

**Grounds and gardens**
A Primary Care Trust sought a ‘no-frills’ low cost contract for grass cutting, hedge management and weed control for its 30 sites throughout the county. Two regional social enterprises were contacted but declined to bid because they were outside Northamptonshire. Contractors were asked to address various environmental issues in their tender responses including minimising use of chemicals, minimising waste, and improvement works to reduce maintenance. Supplier responses varied but many suppliers had environmental management systems or policies in place. A low cost supplier was secured with above average score on sustainability.
appendix 2: sustainability objectives

protecting human health

Factors influencing public health could reduce the demand on NHS resources. These include:

- **Cutting pollution**: select products and processes that reduce exposure to hazardous substances.
- **Diet**: promote fresh, unprocessed foods with “five-a-day” fruit and vegetables. Organic foods are potentially healthier but they certainly reduce side effects from pesticides in the environment and farm worker exposure.
- **Exercise**: transport and buildings should encourage walking and cycling.
- **Income**: sourcing from deprived areas and supporting marginalised workers with a “living wage” increases incomes and reduces health inequalities.
- **Social contact**: social enterprises reach out to marginalised groups, reducing isolation and improving mental health and wellbeing.
- **Health education**: awareness can be raised for suppliers staff, patients and the general public as part of service delivery (eg “health” cafes on NHS sites).

promoting fair working conditions

Demonstration of fair working conditions is particularly important for suppliers with developing world supply chains. This may be linked to the NHS Good Corporate Citizenship objectives as part of Supplier Pre-qualification and Evaluation. Evidence should be provided to ensure:

- No forced or child labour
- Maximum 48hr week (except overtime)
- Paid overtime
- Fair, “living” wages – sufficient for a single parent to support their family and dependents.
- Freedom to unionise
- Freedom from bullying, racial or sexual harassment
- Healthy working environment – workplace ergonomically designed with sufficient lighting, heating and ventilation, protection from noise, vibration and chemical exposure and health and safety practices to prevent accidents

The FairTrade certification scheme identifies products and suppliers who maintain these minimum standards, although suppliers should be invited to provide alternative evidence such as labour policies and independent audits.

promoting social enterprise and improving local skills

Social enterprises are socially owned, not-for-profit organisations that re-invest their surpluses to benefit the community. Their objectives often include promoting social inclusion and sustainability, including improving:

- Community health – through fitness, diet and health awareness
- Community cohesion and participation – through promoting social contact between individuals and groups
- Environmental improvement – by adopting more sustainable business practices
- Training and development to support marginalised job seekers find work

Larger suppliers may contribute by providing social and environmental training for staff working on hospital sites – possibly in partnership with local social enterprises. Skills training of social enterprise employees and other local employees contributes to improving local skill levels.

The following measures help support social enterprises:

- Supplier outreach and engagement for example through ‘Meet the Buyer’ days, advertising contracts locally, can improve Social Enterprises’ awareness, response rate and success in tendering for public sector contracts. Disaggregating contracts into local lots: enabling smaller firms to meet capacity requirements and compete for business.
buying a better world: sustainable public procurement

- Minimising red tape: except for high-risk contracts, simplify tender process to reduce burden of documentation for suppliers
- Subcontracting: encourage prime contractors to sub-contract to Social Enterprises.
- Debrief winners and losers: enabling bidders to learn from their experience.

promoting local employment and economy

Under current EU legislation, it is anti-competitive to directly favour local suppliers in pre-qualification, specifications or evaluation. However, local supply improves local health by reducing freight impacts (fossil fuel usage, congestion, pollution, road construction and road casualties) and supporting the local economy. There are some indirect methods in which these benefits can be realised:

- Specify minimum response times (where relevant) – these will be difficult for suppliers who have long freight journeys.
- Specify fresh, organic, regional varieties and seasonal food stuffs – Switching from bananas to apples and only buying strawberries during the summer makes local supply more likely. Long freight journeys may reduce freshness and nutritiousness of foods.
- Specify materials, timber and fibres that can be produced in the UK
- Use local and regional lotting within regional and national contracts – enabling local suppliers to bid for shares of larger contracts.
- Specifying quotas for local employment in construction contracts to support your organisation’s regeneration objectives.

As with Social Enterprises, the success of local SMEs can be improved through supplier outreach and training, local advertising of contracts, streamlining the tender process and post-award debriefing.

reducing soil, water & air pollution

Pollutants are rarely confined to land, water or air; these can disperse thousands of miles from their sources and often accumulate in animal tissue, concentrating up the food chain. Pollution creates severe health impacts through exposure to toxic, carcinogenic, irritant and mutagenic substances.

In most cases, upstream prevention is cheaper and more effective than downstream pollution clean-up. Specify out materials known to be directly toxic or polluting, or those with harmful by-products during processing, production, usage or disposal. Key pollutants include:

- Heavy metals: (Including mercury, antimony, lead and cadmium) Widespread in many industrial processes and products, including many electrical products and as stabilisers in PVC. These contaminate soil and water supplies throughout the lifecycle, affecting fertility and health of ecosystems and people. Where possible, phase out materials and processes involving heavy metals for example CRT monitors, and mercury thermometers.
- Pesticides: A range of compounds from non-organic agriculture and grounds maintenance. Cause a range of environmental impacts, affecting fertility and health of wildlife and people. Promote organic agriculture and preventative / non-chemical measures for weed and pest control.
- Nitrates from agricultural fertilisers and animal waste and Phosphates from cleaning products. These cause toxic algal blooms, eutrophication and de-oxygenation of sea and freshwater, killing wildlife and poisoning the food chain. Promote organic farming methods and phosphate free cleaners.
- Phthalates: A plasticising additive in PVC which is toxic, accumulative and endocrine disrupting. Avoid PVC with phthalate content.
- Volatile Organic Compounds: Present in many cleaning products and paints, cause respiratory problems. Select products without VOCs or with low VOC emissions.
- NOX, SOX, and particulates: These are products of fossil fuel combustion, affecting respiratory health. SOX also cause acid rain, damaging forests and wetlands.
Dioxins: By-product of combustion process, particularly PVC incineration. Carcinogenic, toxic, persistent and accumulates within food chain. Reduce incineration and use of materials that create dioxins through processing or disposal.

Brominated Flame Retardants: fire preventing compounds used in electronics and furnishings which are hormone disrupting and accumulate in the food chain.

**Reducing Energy Consumption & Climate Change**

Energy efficiency measures can provide excellent return on investment whilst reducing our dependence on fossil fuels and reducing the energy demand that renewables will need to meet.

Fossil fuel combustion is the primary manmade source of CO₂. Increasing CO₂ concentrations have been identified as the key driver enhancing the natural greenhouse effect and warming the climate.

Energy may be consumed throughout product lifecycles. This energy usually from fossil fuels causing CO₂ to be emitted.

- Raw materials: extraction and processing are particularly energy and carbon intensive for plastics and metals. This may be reduced through use of recycled materials and renewable energy.
- Manufacturing: plant efficiency and fuel sources vary. Promote energy efficiency measures and renewable energy sources. Encourage suppliers to adopt Environmental Management Systems such as ISO14001.
- Usage: promote use of energy/fuel efficient products and the use of renewable energy sources.
- Disposal: minimise the amount of waste through reuse and recycling.

Renewable energy sources include wind, solar, wave, tidal and hydroelectric generation and biofuels such as biogas, biodiesel and ethanol. Beware biodiesel from Asian palm oil or ethanol from Brazilian sugarcane – the source plantations are a major contributor to rainforest destruction and biodiversity loss. Ensure your fuels are sustainably sourced.

Apart from CO₂ from fossil fuel usage, avoid products and processes which generate the following greenhouse gases: methane (CH₄), HFCs, PFCs, SF₆, N₂O and low level ozone.

**Reducing Water Consumption**

Many regions in the UK and worldwide are subjected to water shortages. High water consumption threatens freshwater habitats and agricultural output and livelihoods, and chemicals and energy are used for extraction and purification. Minimise water consumption at the following lifecycle stages:

- Raw materials: agriculture and materials processing may be particularly water intensive. (For example, paper production and irrigated cotton plantations). This may be reduced through use of recycled materials, efficient (drip) irrigation and water recycling.
- Manufacturing: promote water efficiency measures such as water recycling and encourage suppliers to adopt Environmental Management Systems such as ISO14001.
- Usage: for appliances and equipment, promote use of metering, water efficient products and grey water recycling and train users in correct usage.
reducing materials, packaging & waste

Raw materials usage can be reduced throughout the product lifecycle:

- Raw materials: Promote the use of reusable, not disposable products. Where this is not possible, promote use of recycled materials.
- Manufacturing: Promote product “de-materialisation” – where it does not compromise function or durability, favour smaller, lighter products which use less materials.
- Transportation: Promote re-usable packaging that is returned to the supplier. Where this is not possible, minimise the volume of packaging used.
- Usage: Choose products with low consumables and materials usage. For example, use of duplex printers and copiers.
- Disposal: Ensure that the recyclable materials within your products are actually recycled. This is aided by clear component labelling and designing products for dis-assembly. Specifying supplier take-back of packaging and products incentivises suppliers to design for recycling to minimise their disposal costs. The European Waste Electrical and Electronic Equipment (WEEE) Directive mandates supplier take-back and safe disposal of electrical goods. Use Total Waste Management contracts to incentivise contractors to maximise waste reduction, recycling and composting.

Recycling and reducing materials usage saves energy and water and reduces pollution, climate change and habitat destruction, and saves money

protecting habitats and biodiversity

Human health, and indeed survival, is dependent on the life supporting services provided by habitats and the species they support. These include clean air and water, a stable climate, forestry and fisheries, pasture and fertile soil and pollinators for our crops.

Habitats and biodiversity are threatened by:

- Land clearance for farms, plantations, mines, oilfields, factories and transport infrastructure. In the absence of detailed product information, the simplest approach is to specify against materials from these sources. For example:
  - Rainforest clearance for agriculture (beef, soya and palm oil) and oil extraction
  - Mangrove clearance for shrimp and fish farming
  - Flooding of land for hydro-electric schemes

- Habitat degradation – through modification for farming and infrastructure. "Farming for wildlife" encourages land management practices to enhance wildlife. Even industrial development can create new habitats through green roofs, tree planting and pond digging. This avoids:
  - Wetland drainage and river canalisation for agriculture and site construction
  - Hedgerow destruction for intensive agriculture
  - Silting of coral reefs

- Unsustainable harvesting of timber, fish and other animal/plant products. The Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) certification schemes label sustainably managed timber and seafood products respectively, avoiding:
  - Clear cutting of tropical and temperate forests
  - Overfishing and “bycatch” of non-commercial species such as dolphins, turtles, sharks and seabirds

- Unsustainable water extraction causing loss of wetlands and forests
- Climate change causing a reduction in the size and quality of remaining habitats.
- Environmental pollution reduces the fertility and health of wild species
appendix 3: Sustainable Procurement toolkit

The toolkit was produced with the re:source hub to provide a ‘one-stop-shop’ for sustainable procurement. It is based around four key elements:

1. Prioritisation Tool
This is a simple matrix to enable buyers to identify top priorities and quick win contracts for immediate implementation by mapping sustainability impact against ease of implementation. Guidance is provided to identify those contracts with the highest and lowest impact and ease of implementation.

High impact categories have:
- Hazardous materials content
- High energy/fossil fuel/waters usage
- Disposable products
- Over-harvesting of natural resources
- Remote supply
- Social enterprise opportunities
- Fit with local priorities
- Clear health impact

Low impact categories have:
- Existing sustainable supply
- Long-life and reusable products
- Low material content
- Low energy/fuel/water usage
- Non-product, service focus

Difficult categories with:
- Strong clinical preference
- Uncompetitive supply market
- No alternative materials
- No whole life cost advantage
- Poor environmental data

Easy categories with:
- Existing sustainable alternatives
- Existing eco-label coverage
- Alternative recycled/non-hazardous/organic material
- Whole life cost advantage
- No/Weak clinical preferences
- Fit with local priorities
- Local suppliers
2. Demand Review Worksheet
This spreadsheet based tool poses a series of questions to enable buyers to reduce or eliminate demand at the outset of the procurement process. It contains “pop up” text boxes providing practical guidance and case studies. As the tool raises generic questions, not every issue is relevant for all contracts.

- Prioritising contracts by assessing the magnitude and probability of their impacts against a range of sustainability objectives.
- Identifying a range of possible EU compliant interventions throughout the procurement process. The tool includes a range of pop-up guidance on each sustainability impact and contract intervention.

3. Action Plan Worksheet
This spreadsheet based tool allows buyers to plan their tenders to deliver more sustainable contracts by:

- Prioritising contracts by assessing the magnitude and probability of their impacts against a range of sustainability objectives.
- Identifying a range of possible EU compliant interventions throughout the procurement process. The tool includes a range of pop-up guidance on each sustainability impact and contract intervention.

1. To read guidance and case studies, highlight comments tags with your cursor.
2. Score the category’s magnitude and probability against each sustainability objective. The sheet ranks the severity of each according to Red – Amber – Green.
3. Document your reasons for this scoring.
4. Describe your supplier pre-qualification measures to reduce impacts.
5. Identify specifications to design out impacts.
7. To address impacts not addressable through the tender process, identify supplier development activities.
4. Whole Life Cost Models
The toolkit also contains two example whole life cost models for capital assets and consumables.

For capital assets, it enables buyers to model the purchase, setup, running, disposal and other costs across the asset life. A separate worksheet should be completed for each option under assessment. The tool calculates the total cost of ownership and net present value for each purchase.

As these are generic models, not all costs will be relevant to all contracts so the worksheet is likely to need some degree of modification.

1. Purchase price, product life and setup costs.
2. Running costs, including energy, water and materials consumption, labour and maintenance costs.
3. Disposal costs, from waste contract rates.
4. Health, safety and environmental management costs.
5. Indirect savings.
6. Spreadsheet calculates average NPV per year. The option with the lowest NPV per year has the lowest cost of ownership.

1a. Enter data in yellow cells only. Spreadsheet automatically creates a spend profile across product life.

For a copy of this toolkit contact Forum for the Future via the following details:
Email: publicsector@forumforthefuture.org.uk • Telephone: 020 73243675