

LANCASTER CITY COUNCIL'S

Sustainable Procurement Policy

The Council will use its purchasing power to promote sustainability when choosing products and when contracting services.

The Council will optimise the sustainable benefits of procurement decisions, in accordance with the principle of Best Value.

Ensuring 'best value' and 'value for money' involves much more than 'lowest upfront cost'. It involves considering 'whole-life' financial costs (e.g. with respect to energy savings, durability, reduced maintenance, and waste reduction) and reducing environmental (and other) risks. The concept that sustainable benefits are worth paying for, provided the financial cost is not excessive, is also implicit.

By making a commitment to this policy, the Council will help to conserve energy and resources, and reduce waste and pollution. Furthermore, through the Sustainable Procurement Policy, the Council will contribute to a sustainable way of life by taking a positive, solutions-oriented approach.

Contents

Introduction	
• Why Lancaster City Council has a Sustainable Procurement Policy	3
• What's in it for Lancaster City Council?	4
How to include sustainable criteria in council procurement activities	
• Environmental	5
• Social	6
• Economic	7
• Setting Clear priorities	9
The Way Forward	10
Appendix	11
Useful Links	12

Introduction

Why Lancaster City Council has an Sustainable Procurement Policy

A Sustainable Procurement Policy leads to improved procurement decisions which look further into the future and can yield (direct) economic, environmental and social benefits to the Council and community over the longer term.

1. Lancaster City Council is an active member of The Lancaster District Sustainability Partnership, which brings together local groups and individuals to actively pursue a better quality of life for all. The partnership has developed a comprehensive vision and strategy for sustainable development in the Lancaster District: **Agenda for Action**, which complements the **Community Strategy: A Vision for 2020** through recognition that our economy, environment and social well-being are all connected and interdependent.
2. This **Sustainable Procurement Policy** supplements Lancaster City Council's **Procurement Strategy 2005 -2008** and is necessary for achieving the Council's Procurement Vision, delivering best value and enabling continuous improvement in our sustainable performance.

Our Procurement Vision is:

'To achieve best value through planned, responsive, professional, well-managed and sustainable procurement that contributes to the Council's priorities and meets the needs of the community'

3. The UK Government's Sustainable Development Strategy, '**Securing the Future**', launched in March 2005, set ambitious goals for the UK to be recognised as amongst the leaders in Sustainable Procurement, across EU member states, by 2009. In setting that goal the Prime Minister recognised that the way in which the public sector spends money has a major impact and a great contribution towards delivering sustainable development in the UK. However existing efforts are falling short and public sector procurement is failing to match best practice in the private sector. A national task force was established in May 2005 to devise a National Action Plan to deliver the 2009 goals. Lancaster City Council's Sustainable Procurement Policy embraces the National Action Plan and supports sustainable development.
4. **Sustainable procurement** – in short, using procurement to support wider social, economic and environmental objectives, in ways that offer real long-term benefits, is how the public sector should be spending taxpayers' money. Anything less means that today's taxpayer and the future citizen are both being short-changed.

What's in it for Lancaster City Council?

Community Leadership

Leadership on sustainable development sets an example both to the public and to partner organisations. Local authorities can enhance public trust and reputation, motivate their partners and the public to take action, improve levels of local engagement and participation, and help to build a common sense of responsibility around sustainability.

Local Benefits

Local communities, economies and environments can all benefit from local government commitment to sustainable development. Procuring sustainable, local food, for example, supports the local economy, reduces food miles and associated congestion costs, cuts greenhouse gas emissions and contributes to people's health.

Financial Benefits

More efficient use of energy and other resources can lead to direct financial savings, especially over the long-term. Environmental efficiency measures, such as insulation, recycling bins and low flush toilets, can all reduce running costs. Bigger projects can yield greater savings.

Risk Management

The management of all risks, including long-term environmental, social and economic risks contributes to good organisational management. The risks of not addressing sustainability include the increasing financial costs of finite resources, such as fossil fuels, reputational risk, the risk of environmental change and increased risks to public health.

Value for Money

Basing spending decisions against sustainability criteria is the only way to ensure value for money over the long term. This means taking a 'whole-life cost' approach that takes account of environmental, social and economic considerations. On the other hand, decisions based on up-front costs alone have been found to be a false economy.

Achieving wider Aims

Sustainable development is becoming increasingly important at the local level. Councils are required to contribute to sustainable development through sustainable community strategies and the planning framework. A sustainable development approach also involves tackling issues such as climate change, health inequalities, well-being and place-shaping in an integrated, long-term way.

How to include Sustainable Criteria in Council Procurement Activities

ENVIRONMENT

Environmental impacts associated with the following factors are to be considered when specifying Council contracts and choosing supplies, services or works:

- Sourcing and use of natural resources, and whether the resources are renewable.
- Type and quantity of raw materials and energy used in manufacture.
- Energy used and pollution caused from transport (in delivery and operation).
- Product and equipment durability, adaptability, possibilities for re-use, recyclability, packaging and resulting waste disposal issue.
- Environmental implications of operation and maintenance, including resources consumed, pollution caused and waste generated.

To reduce the environmental impact the Council will, whenever practicable:

- Only buy supplies when necessary and minimise the amount of materials consumed.
- Explore systems whereby products can be reused/re-allocated within the Council or donated, instead of discarded.
- Source products that are made from recycled material and/or are recyclable, and have minimal packaging. Furthermore, specify that the supplier of the product should operate or subscribe to a take-back scheme for packaging and equipment which can be re-used or recycled.
- Select the more durable, environmentally friendly alternative.
- Maintain & repair furniture, equipment and other products so as to extend its life.
- Select the more environmentally-friendly option for cleaning, pest control and garden use.
- Buy energy efficient appliances and equipment.
- Use vehicles that are more energy efficient and less polluting.

This policy will enable the Council to achieve longer-term financial and sustainable benefits. However, following this policy can sometimes mean paying more financially in the short term in order to:

- (i) realise benefits in the longer term and/or
- (ii) address our responsibilities for the wider environmental impacts of local activity.

How to include Sustainable Criteria in Council Procurement Activities

SOCIAL

The scope to take social issues into account during the procurement process is more limited than other sustainable issues. However there will be cases where social issues can legitimately be taken into account. Service contracts for example, are much more likely to have a social aspect than supply contracts.

Where opportunities are most likely to arise

The following describe the circumstances in which the consideration of social issues during the procurement process are most likely to be appropriate.

- Where the authority has obligations of a social nature, for example under the Race Relations Amendment Act, in relation to a particular function the performance of which it is contracting out, it can legitimately pass these on to the contractor.
- It will be best to take social issues into account early on in the procurement process. For example, ensuring that an IT system is accessible to disabled users or that a caterer will provide meals suitable for special religious or other diets.
- If a candidate has breached social or employment legislation, or has been guilty of grave professional misconduct in the course of their business then they can be excluded from tendering for a contract. This could apply, for example, to a conviction for use of illegal labour.
- Where a contractor is to work either on the authority's own premises or construction site, or where the contractor's staff will be interacting with the authority's staff, there may be codes of practice, for example, which it will be necessary to apply to all staff in order to ensure that the organisation or site operates safely and effectively. Where this is the case, adherence of staff employed on the contract to such a code of practice can be a legitimate condition of contract.
- Where the contract requires particular skills or expertise of a social nature, this can be reflected in the specifications, or in selection criteria. For example, it is quite legitimate to require specific language skills or other relevant expertise from staff in order to meet the needs of the community they serve.

It is not possible to ask about tenderers' general policies where this goes beyond what is relevant to the particular contract to include, for example, the company's workforce as a whole (rather than just those workers that would be involved in the contract). Nor would it be permissible for example, to include a requirement to employ a certain percentage of local people, or to include, in the award criteria, elements that do not provide a benefit to the contracting authority.

How to include Sustainable Criteria in Council Procurement Activities

ECONOMICAL

How should the policy be applied in cases when better sustainable development entails higher initial financial costs?

The additional '*initial purchase cost*' and the '*sustainable benefit*' need to be assessed alongside each other. Two key points apply:

- (i) **The whole lifetime cost** to the Council, (analysis of the full cost to the authority of meeting a requirement) not just the initial purchase or contract cost, needs to be considered. When evaluating the whole life cost the analysis should, as a minimum, cover:

Acquisition Costs

The acquisition costs of a product or service need to consider the full supply chain implications. Areas to consider:

- Initial purchase price.
- Installation costs.
- Transport costs.

Operating Costs

The following operating costs should be considered in order to evaluate any longer-term financial benefits. This is particularly relevant to more sustainable products and services, and should be factored in where they apply:

- Energy/water consumption savings.
- Waste disposal savings.
- Savings from reduced resource consumption.
- Greater durability, leading to savings on replacements.
- Maintenance costs.
- Staffing and Training costs.
- Reduced risk and administration costs through easier compliance with environmental legislation, insurance premiums.
- Reduced risk through easier compliance with any future tighter environmental legislation which could render current investment redundant.
- Indirect costs, e.g. less energy efficient IT equipment will produce more heat, which will put greater pressure on the air conditioning system, increasing costs in this area.
- Annual Licence fees.

Disposal Costs

It will be necessary to take a view on the expected life of a product.

- Site clean up costs
- Disposal costs of both consumables and unit
- Refuse collection costs
- Recycling – recyclable products may have lower disposal costs, they may be collected for free or a fee may be paid for each item.

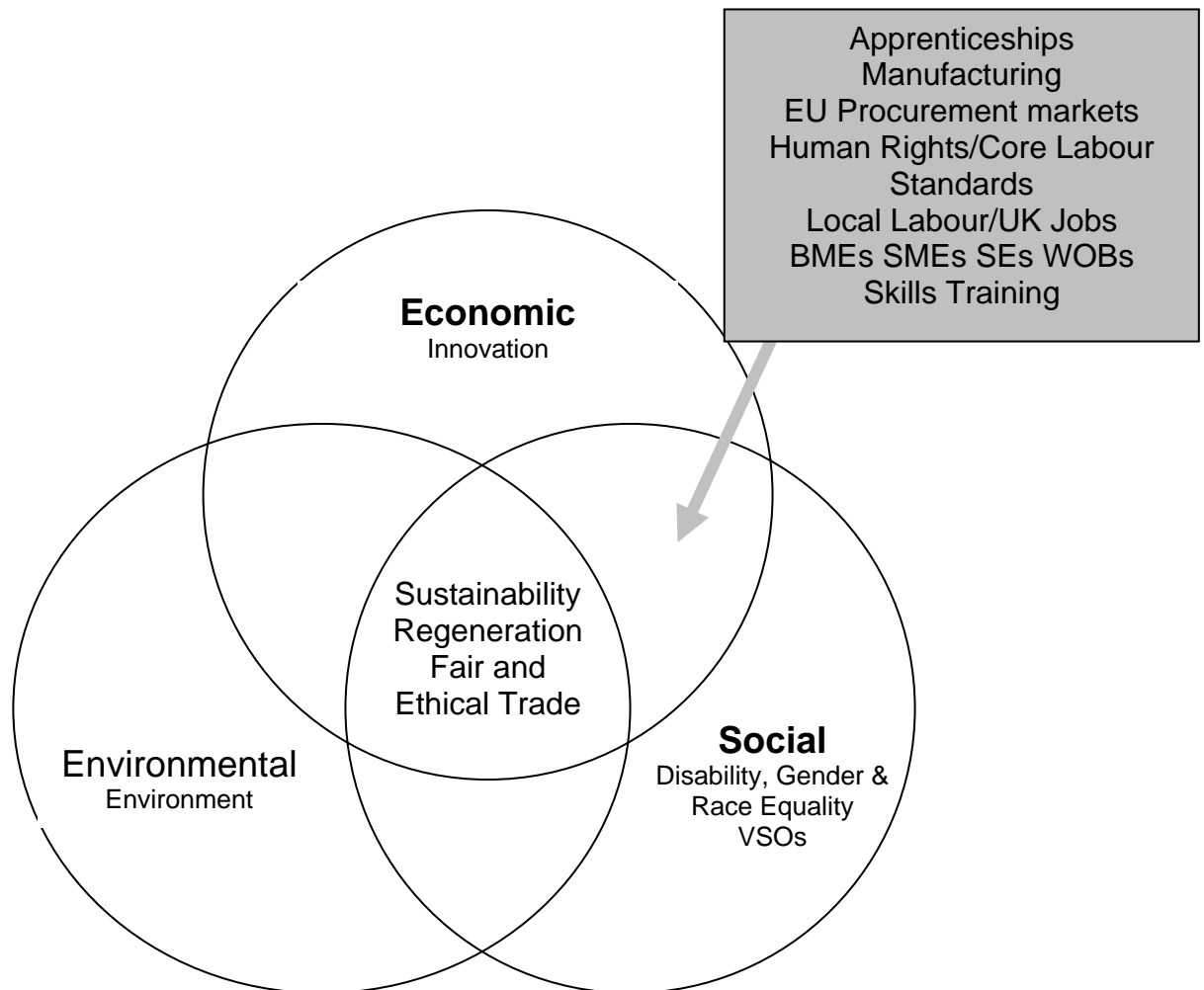
(these lists are not exhaustive and other relevant considerations should be taken into account)

- (ii) **Environmental benefit:** There is an intrinsic value to sustainable benefits. Therefore, even when a more environmentally sound option is not the option that has the lowest whole-life cost it may still be specified by the authority if it is in line with its overall objectives and meets the tests of need, affordability and cost-effectiveness.

There is no generic formula which can be applied to assess whether an environmental benefit outweighs the extra cost, such decisions are necessarily, and therefore, a matter of informed judgement will be required.

Setting Clear Priorities

The diagram below shows priorities that must be taken into account when determining the sustainable criteria of a contracts specification. The diagram gives the existing policies, strategies, and regulations that are currently applicable to contracting authorities.



Lancaster City Council has specific policies relating to Fair-trade products and GM free products in relation to food. The authority has a target to be Carbon Neutral by 2012 relating to energy and fuel procurement as well as equipment and services.

Appendix one shows one example from industry that shows the links and maps business objectives to sustainable themes and their delivery through Key Performance Indicators.

List of abbreviations

BMEs: Black and Minority Owned Enterprises
SME's: Small and Medium Sized Enterprises
SEs: Social Enterprises
WOBs: Women Owned Businesses
VSOs: Voluntary Social Organisations

The Way Forward

In Implementing the Policy, the Council will:

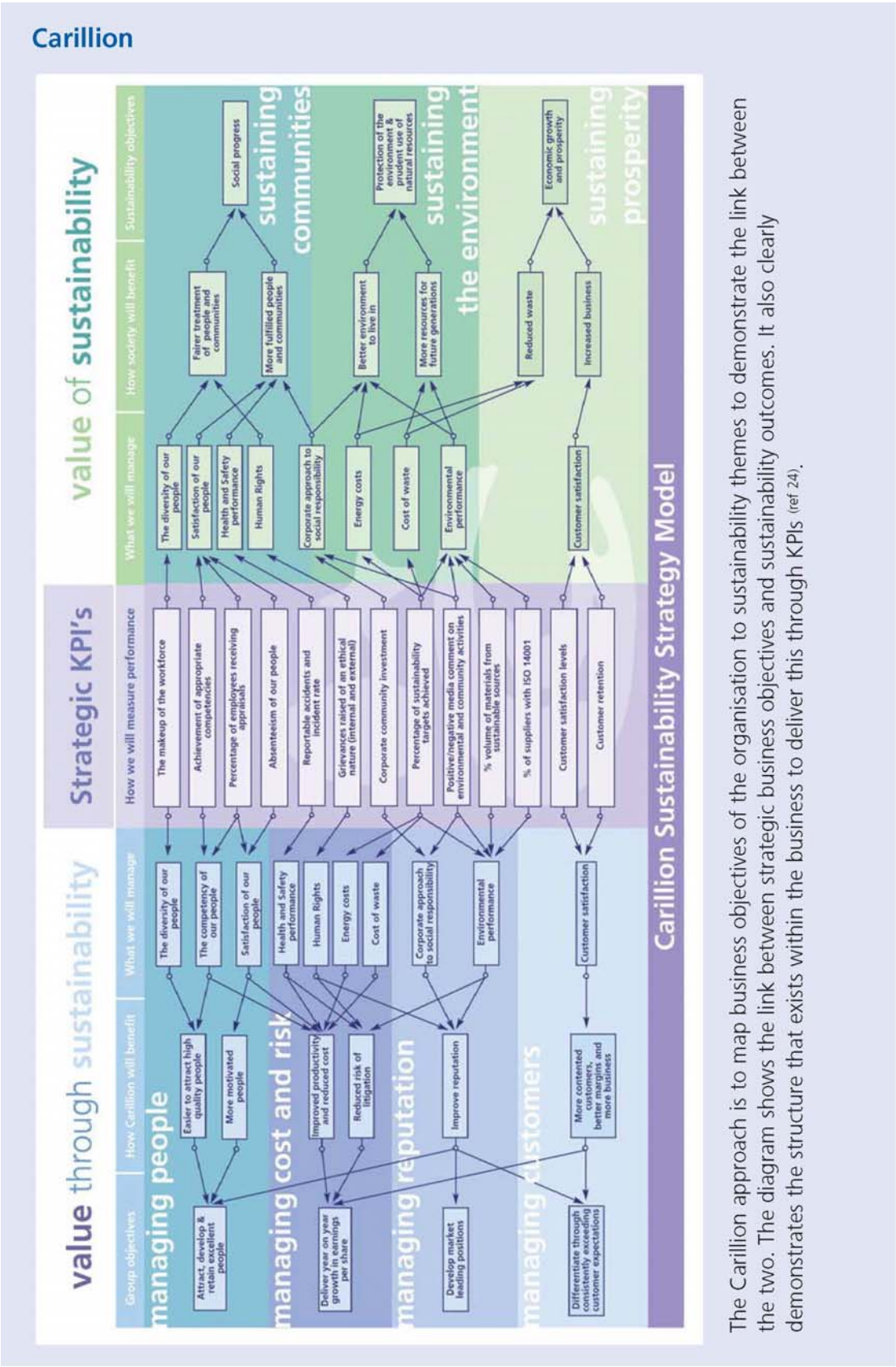
- Take all reasonable opportunities to improve the sustainable impacts through specifying of contracts
- Use sustainable development as a preference when evaluating submissions for supplies, services and works.

To improve the policy and its implementation, the Council will:

- Inform all its suppliers of goods and services of this sustainable policy.
- Seek information from suppliers about the environmental effects of the products and services that they supply, including the supply chain implications.
- Encourage all providers of supplies, services and works to have an environmental policy and an environmental management system in place (such as ISO14001) or (for small and medium sized enterprises) support the adoption of environmental policies which lead to improved sustainable development.
- Include sustainable issues in the business questionnaire used in the tendering process.
- Review this policy every two years or earlier if necessary.

Appendix 1

Below is the Carillion approach to mapping business objectives to sustainable themes and how they can be delivered through KPIs.



Useful Links

Sustainable Development Commission – The Sustainable Development Commission is the Government's independent watchdog on sustainable development, reporting to the Prime Minister and the First Ministers of Scotland and Wales. Through advocacy, advice and appraisal they help put sustainable development at the core of Government policy. You can find out more on their website:

www.sd-commission.org.uk

Have your own say – The Financing Local Futures website includes a discussion forum where you have your own say, share your experiences with others, ask questions and give them feedback about the website:

www.sd-commission.org.uk/forum_public/

Finance and decision making – a web based resource designed to help those involved in local government financial decision-making to develop their own contributions' to sustainable development. Supported by CIPFA, the LGA and IDeA

www.sd-commission.org.uk/financinglocalfutures

I&DeA – Improvement and Development Agency for local government (IDeA) supports local government improvement so councils can serve people and places better.

www.idea.gov.uk

National Action Plan and supporting material – The National Action Plan and supporting material including case studies are available from:

www.sustainable-development.gov.uk/government/task-forces/procurement/index.htm