

**REPORT AND RECOMMENDATIONS OF THE  
SUSTAINABLE PROCUREMENT GROUP**

**January 2003**



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**ACRONYMS**

ACBE	Advisory Committee on Business and the Environment
ACCPE	Advisory Committee on Consumer Products and the Environment
BiE	Business in Environment
BRE	Buildings Research Establishment
BREEAM	Buildings Resource Establishment Environmental Assessment Method
CHP	Combined Heat Power
CIPS	Chartered Institute of Purchasing and Supply
CMPS	Centre for Management and Policy Studies
CSR	Corporate Social Responsibility
Defra	Department for Environment, Food and Rural Affairs
DfT	Department for Transport
DTI	Department for Trade and Industry
EA	Environment Agency
EBC	Environment Business and Consumer (Defra)
ECA	Enhanced Capital Allowances
EMAS	Eco-Management Audit Scheme
ENV (G)	Cabinet Sub Committee of Green Ministers
EPA (Danish)	Danish Environment Protection Agency
EST	Energy Saving Trust
FAQs	Frequently Asked Questions
GCCP	Government Construction Clients Panel
GDP	Gross Domestic Product
HMT	HM Treasury
IEMA	Institute of Environmental Management Assessment
MOD	Ministry of Defence
NAO	National Audit Office
NBS	National Building Specification
NDPB	Non Departmental Public Bodies
NGO	Non Government Organisation
NHS PASA	NHS Purchasing and Supply Agency
NVQs	National Vocational Qualification
ODPM	Office of the Deputy Prime Minister
OECD	Organisation for Economic Cooperation and Development
OGC	Office of Government Commerce
OGCbs	Office of Government Commerce buying solutions
PFI	Private Finance Initiative

SDC	Sustainable Development Commission
SDU	Sustainable Development Unit (Defra)
SMEs	Small and medium sized Enterprises
SPG	Sustainable Procurement Group
UNEP	United Nations Environment Programme
US EPA	United States Environment Protection Agency
WRAP	Waste Resources Action Programme
WSSD	World Summit on Sustainable Development

## Foreword

This report, initially submitted to Ministers in early 2003, is being published as a tangible expression of Government's commitment to sustainable procurement. Some of the original aspirational dates for completing the challenging targets in the report have not been met because the complexities of public sector procurement have demanded wide consultation. But work has been progressing on the four headline recommendations.

A revised Defra/OGC *Joint note on environmental issues in purchasing* is about to be published and Government will be announcing shortly its intention to buy certain specified products that already meet minimum 'green' standards while offering value for money.

Online advice for buyers on sustainable procurement is an important tool. OGCBuying.solutions and Defra are working together to update and expand existing capability. Defra will also be funding a pilot study to scope out the main areas of public sector purchasing where further product information is needed and will be working closely with the Department for Trade and Industry.

Government is developing sustainable procurement under the *Framework for Sustainable Development on the Government Estate*. It will require Departments to put in place environmental purchasing policies and to consider carefully the risks to sustainability in proposed procurements. It is anticipated that these targets will be announced in early 2004.

The Government recently launched an initiative under the *Sustainable Food and Farming Strategy* to integrate sustainable development into the public procurement of food and catering services. Priorities will be higher production standards, healthier food, reducing environmental impacts and increasing opportunities for local producers. Defra has established a web site to support the initiative and Departments have drawn up action plans to guide their own implementation strategies. Also, a public sector Food Procurement Implementation Group is raising awareness across central and local Government. Its remit is to produce guidance, develop training and engage suppliers and their representative bodies.

For the year ahead the Sustainable Procurement Group will focus on implementing the remaining recommendations in this report and taking forward new workstreams on innovation and social issues in procurement. Sustainable public sector procurement cannot be achieved overnight, but this first step will send a clear signal to public sector organisations that in public sector procurement achieving value for money and sustainable development objectives are compatible.



Dr. Clare Poulter, Deputy Chief Executive OGCBuying.solutions  
Chair of the Sustainable Procurement Group





## Executive Summary

This report looks at sustainable procurement by Government. It focuses initially on green procurement and concludes that the EU-derived rules and the Government's policy which govern the procurement process offer sufficient **scope** to Government buyers for green procurement. However Government has not yet put sustainable development sufficiently securely at the heart of its business to remove all doubt about whether it is **desirable** for buyers to pursue green procurement.

For further significant progress to be made, a clear lead from the top is therefore essential. An announcement of Government commitment to sustainable procurement from Senior Ministers would send a strong signal to the entire public procurement community. Such a statement is needed to overcome perceptions of conflict between procurement objectives of value for money and sustainable development objectives.

Value for Money is not an end in itself. Government buys in order to achieve those things which it has set out to do. If Government has resolved to conduct its business in a sustainable manner then there can be no choice other than to conduct its procurement in a sustainable manner.

We have identified important steps in the delivery process – starting with reissue of joint guidance from Defra and the Office of Government Commerce, and backing this with tools to help with both managing the process and with streamlined product selection.

We have identified certain product areas - “**quick wins**” - where purchase to certain standards should be required, without delay. However this mandatory, product based approach will not be sufficient to ensure that sustainable procurement is delivered across the board, or that it is truly owned by Departments.

We are convinced that a **risk based** approach is essential both at whole of Government and at departmental level to ensure that it is the highest impact issues that are tackled (which may include those with highest public awareness and highest risk to reputation) and that the measures taken are going to be effective.

We have identified the Framework for Sustainable Development on the Government Estate as a key established basis for the setting and monitoring of targets and timescales, and as having credibility with departments. We therefore recommend that as far as possible this is used to structure the performance improvement needed in sustainable procurement as well, rather than introduce new and potentially confusing initiatives.

We have looked at progress in Construction procurement, where the concepts of sustainability are relatively well developed and contrasted this with food procurement where an agreed approach to sustainability is still developing.

We have recognised that social issues are more problematic to tackle in the procurement process (although by no means impossible) and that further work is needed.

Although we have concluded that simply buying 'best practice' goods and services currently available will send important signals of Government's intent to suppliers and encourage the development of markets in sustainable products and services, there may still be scope to encourage innovation more positively. Again further work is needed.

## Summary of Recommendations

### Headline Recommendations

Recommendation	Responsibility/timing	Para
<p><b>Statement of Government commitment to sustainable procurement</b></p> <p>The Defra/OGC joint note on environmental issues in purchasing should be revised and reissued as a statement on Sustainable Government Procurement. The revised note should contain:</p> <ul style="list-style-type: none"> <li>- A clear commitment to the integration of the Government's sustainable development objectives into procurement activities*</li> <li>- An explanation of the relationship between value for money and sustainable development in procurement</li> <li>- Clear guidance on how to achieve both within the procurement process</li> </ul> <p>* The joint note should cover environmental issues and explain the position on social issues. More detailed guidance on social issues should be produced following the second stage of the SPG's work.</p>	<p>Defra and OGC</p> <p>To be published by June 2003</p>	<p>2.17, 5.7</p>

Recommendation	Responsibility/timing	Para
<p><b>Quick wins for green procurement</b></p> <p>“Quick Win” product categories have been identified. Departments should be expected to buy goods which meet or exceed the performance criteria or to account for the discrepancy.</p>	<p>All Departments (EBC leads)</p> <p>To be announced early 2003</p>	3.16
<p><b>Rolling out green procurement commitments across the Estate</b></p> <p>The Procurement section of the <i>Framework for Sustainable Development on the Government Estate</i> should include targets and commitments and focus on ensuring:</p> <ul style="list-style-type: none"> <li>- ownership of the Government’s overarching commitment to sustainable procurement by individual Departments</li> <li>- a commitment for all Departments to develop environmental purchasing policies</li> <li>- purchase to minimum standards for a range of products in all Departments (as outlined under quick wins).</li> </ul> <p>This work should be over seen by ENV(G) Ministers.</p>	<p>All Departments (SDU to lead)</p> <p>To be published by July 2003</p>	5.6, 5.7
<p><b>Online advice for buyers</b></p> <p>Defra, OGC and OGCbs should collaborate in drawing together advice and best practice into a single web-based tool to support sustainable procurement.</p> <p>Defra should begin with a pilot project to demonstrate the potential, then proceed to develop and maintain a comprehensive service with OGCbs support.</p>	<p>OGC, OGC bs and Defra</p>	6.15

## Supporting recommendations

*Delivery of goals set out in headline recommendations will be contingent on acceptance and delivery of supporting recommendations*

<b>Recommendation</b>	<b>Responsibility</b>	<b>paragraph</b>
<b>Working with suppliers</b>		
Sustainability issues to be integrated into supplier development programmes, targeting top suppliers.	OGC (Supplier Relations)	3.4
Supplier development models to be available as part of web support for buyers.	OGC (Supplier Relations)	3.4
Greening PFI guidance to be embedded into procurement practice.	OGC (PFU)	3.6
Standard environmental clauses (as developed by former DETR) to be integrated into all contracts as a minimum.	All Departments	3.8
Supplier development work by public sector to be co-ordinated to minimise burden on suppliers.	OGCbs/NHS PASA	3.9
<b>Product information and standards</b>		
Quick win categories identified should be promoted through OGCbs and NHS PASA catalogues and other services.	OGCbs	3.16
Catalogues should be updated regularly to ensure they continue to highlight best practice and delete products which fall below minimum standards.	OGCbs	3.16
Defra should commission further development of product information.	Defra	3.16
The “quick win” approach of identifying minimum standards for Government purchasing should gradually be extended, so that there is a comprehensive set of green specifications across the major areas of government spending and environmental impact.	OGCbs/Defra	3.16
<b>Embedding environmental considerations in the procurement process</b>		
Carbon Trust to work with central buying groups on low carbon procurement including whole life costing of energy efficiency equipment and buildings.	OGCbs	4.8

<b>Recommendation</b>	<b>Responsibility</b>	<b>paragraph</b>
All departments to implement an environmental purchasing policy as part of the <i>Framework for Sustainable development on the Government Estate</i> .	SDU/All Departments	4.11
OGC should build consideration of sustainable development criteria into the Gateway process.	OGC	4.13
<b>Risk assessment</b>		
Environmental risk assessments should be incorporated into all Departmental procurement processes. Departmental Green Ministers to sign off assessments above a certain threshold.	All Departments	6.5
OGC to develop environmental risk assessment approaches.	OGC	6.5
<b>Supporting buyers</b>		
Government to actively support and use the IEMA/CIPS/NHS PASA guide to incorporating environmental considerations into procurement.	OGC/Defra	6.9
The web-site (see headline recommendation) should provide recommended standards that buyers would be expected to meet or better in their purchases, with model text for tender specifications and searchable databases in key areas.	OGCbs/Defra	6.15
Defra and OGCbs should be jointly responsible for ensuring that the knowledge base for developing product standards is robust and relevant to the Government's purchasing needs and sustainable development objectives; and that it is kept updated with a view to continuous improvement in standards.	OGCbs/Defra	6.15
OGCbs should lead in promoting the on-line information tool to buyers in public procurement, while Defra should also develop its potential for steering purchasing choice among private sector buyers and household consumers.	OGCbs/Defra	6.15

<b>Recommendation</b>	<b>Responsibility</b>	<b>paragraph</b>
<p>OGCbs should underpin this by ensuring that (for purchasers who buy direct rather than running their own tender specifications) its catalogues and services automatically provide buyers with solutions that meet the minimum standards promulgated on the web-site.</p>	OGCbs	6.15
<p>SDU and OGC to work with CMPS and CIPS to develop training on sustainable procurement to be included in the Certificate of Competence in Purchasing and Supply and NVQs.</p> <p>As part of OGC's agenda of knowledge transfer and embedding best practice, ensure that appropriate existing standards and approaches to sustainability (eg Achieving excellence in Construction) are used consistently across Departments and agencies.</p> <p>Government departments to make use of existing material already available via the Environment Agency and NHS PASA.</p> <p>A sustainable procurement best practice group should be established for all departments to exchange experience and ideas.</p>	<p>SDU/OGC</p> <p>OGC</p> <p>OGC</p> <p>OGC/All Departments</p>	6.22

Recommendation	Responsibility	paragraph
<p><b>Construction</b></p> <p>All Government construction projects should be required to follow the Achieving Sustainability in Construction guidelines.</p> <p>Standards and specification tools should be regularly reviewed for their compatibility with Government sustainable development commitments, particularly those in the Framework.</p> <p>Targets for use of recycled materials, initially aggregates, should be incorporated into the Framework.</p>	<p>SDU/OGC</p> <p>OGC</p> <p>SDU/OGC</p>	7.8
<p><b>Food</b></p> <p>Priorities for sustainability in the public procurement of food require further work to be develop and Defra should lead on this (to be taken forward in the light of the Government's Strategy for Sustainable Food &amp; Farming and follow up work).</p> <p>NHS and other major public food procurers to analyse food procurement activities and prepare to address major impacts, in light of sustainable food priorities.</p> <p>Sustainable food procurement in departmental catering contracts to be piloted by Defra.</p>	<p>Defra</p> <p>DH (NHS PASA)</p> <p>Defra</p>	7.18
<p><b>Social issues in procurement</b></p> <p>Further investigation of key social impacts of how relevant social issues can be appropriately reflected in public procurement should be carried out by OGC in consultation with other departments over the next year, with the aim of issuing guidance as soon as possible.</p> <p>Following publication of guidance all Departments should be asked to conduct a risk assessment to review their social impacts from procurement and help establish the key social impacts from procurement across Government. Suppliers' compliance with health and safety law should be one of the considerations.</p>	<p>SPG</p> <p>All Departments</p>	8.8



<b>Recommendation</b>	<b>Responsibility</b>	<b>paragraph</b>
CIPS should incorporate supporting social enterprises into training on sustainable procurement.	CIPS	
<p><b>Innovation in procurement</b></p> <p>Initial views are that the following would need to be developed:</p> <ul style="list-style-type: none"> <li>- A list of technologies suitable for targeted support through public procurement.</li> <li>- Targets for specific types of procurement (such as the use of recycled paper as standard) applying to all departments to stimulate activity across the Estate</li> <li>- Non-prescriptive performance specifications that go beyond best practice, and specify outcomes rather than products.</li> <li>- Knowledge and leadership to support public sector organisations in identifying opportunities and embedding innovation in the procurement process</li> <li>- Incentives for the public sector to take risks on innovative products or services.</li> </ul>	SPG/DTI	8.12
<p><b>Accounting and budgeting</b></p> <p>The Group recommends that accounting and programme expenditure issues and their potential to support sustainable development are considered further with relevant HMT and NAO officials.</p>	SPG/HMT/NAO	8.16
<p><b>Monitoring and reporting</b></p> <p>The Procurement section of the Framework for Sustainable Development on the Government Estate should be a vehicle for setting out new targets for Government Procurement, and measuring progress.</p>	SDU	9.10



## **1. Introduction**

1.1 The products and services purchased by Government are increasingly being seen as an indicator of its commitment to sustainable development. The sheer scale of Government procurement means that it has potential to be an important tool for achieving UK sustainable development objectives. Government also faces significant reputational risk if its own procurement does not contribute to sustainable development objectives.

1.2 Procurement in the public sector is undoubtedly more complex than in the private sector. It is governed by EC Treaties and directives, as well as UK procurement policy, and is a highly decentralised activity. Despite these perceived constraints, there is considerable scope to pursue procurement in ways that support sustainable development

1.3 This report outlines the scope for sustainable procurement in Government and the action and resources needed to deliver it. Although the UK is by no means a leader, we are not starting from scratch. The UK has a well established sustainable development strategy, and a clear procurement policy. There are a number of Government commitments to green procurement in the areas of timber, renewable energy and recycled paper from which lessons have been learned. There are also pockets of excellence in public sector procurement. For example, NHS PASA has established an environmental management system based on purchasing and the Environment Agency has recently won a national award for ethical purchasing. The main task now is to bring sustainable development and procurement policy together more effectively throughout the procurement process to deliver consistent action.

### **The Sustainable Procurement Group**

1.4 The Sustainable Procurement Group was set up at the request of the Secretary of State for Environment, Food and Rural Affairs in November 2001 to consider how Government procurement can better support sustainable development. The group has brought together senior officials with expertise in procurement policy and sustainable development, as well as a cross-section of procurement practitioners from departments and the two main Government procurement organisations, NHS Purchasing and Supply Agency (NHS PASA) and OGC buying solutions (OGCbs). The Group is chaired by Dr Clare Poulter, Deputy Chief Executive of OGCbs. The Environment Agency, although an NDPB, has provided valuable input as a public sector leader on green procurement. A full list of members is at Annex A.

1.5 SPG involved stakeholders from an early stage. A workshop to gain input from business and NGO's was held jointly with ACCPE and ACBE in February 2002 and front line procurement practitioners explored attitudes to sustainable procurement issues at an OGCbs workshop in March. The group has also worked bilaterally with WRAP, the Carbon Trust, SDC and CIPS. They have each submitted recommendations to the Group which have been considered in preparing this report. Their contributions are annexed to this report (Annexes E-H).

## **Scope of the Study**

1.6 For procurement to be truly sustainable, it needs to cover social, economic and environmental considerations. Economic aspects are already an important factor, under the Treasury policy of securing value for money from public expenditure. Consideration of environmental issues or green procurement is relatively well established at policy level although there is still a considerable way to go to embed them in procurement practice. The scope to include social issues in government procurement specifications and contracts is far less obvious and more limited, and the areas of greatest social impact from government procurement are not well known. This study has focused mainly on green procurement, as an area where concerted action can and should be taken immediately in support of sustainable development. However, the report identifies social issues in procurement as an emerging area, one where government may be vulnerable to criticism, and recommends further work.

1.7 The report covers procurement by central departments and executive agencies. The Group has not considered procurement by local authorities as this is covered by additional requirements such as Best Value and has already undergone a recent review. While NDPBs and other associate bodies such as the NHS are similarly not the focus of this report, Departmental sponsors will be expected to ensure they fully support this agenda.

## **2. The Scope for Sustainable Public Procurement**

2.1 Until recently, procurement and sustainable development policies have proceeded along parallel tracks. Outside audiences however increasingly see Government procurement as a barometer of its commitment to sustainable development. The early focus was on environmental issues in procurement – green procurement. Social issues such as labour considerations, social exclusion and equal opportunities, have been emerging during the last few years both domestically and at EC level. However, these have been addressed on a case-by-case basis, reflecting that, unlike environmental issues, there is no single lead department for all social issues and the procurement angle in each case can be very different.

2.2 This section outlines overarching procurement and sustainable development policy and progress with developing green and social procurement. It then draws some initial conclusions regarding inertia amongst procurement practitioners.

### **Procurement policy**

2.3 The Government's longstanding procurement policy is that all public procurement of goods and services, including works is to be based on value for money, with due regard to propriety and regularity. Procurement **processes** are furthermore governed by the EC Procurement directives and the Treaty principles of transparency, non discrimination and competitive procurement on which they are based.

### **Sustainable Development Policy**

2.4 The government's sustainable development strategy is also well established. A *Better Quality of Life* states that sustainable development means achieving 4 key objectives at the same time:

- Social progress which meets the needs of everyone
- Protection of the environment
- Prudent use of natural resources
- Maintenance of high and stable levels of economic growth and employment

The 15 headline indicators established in the strategy give meaning to the overarching objectives and a means of measuring progress. They provide a clear steer as to priority issues for the UK to address.

### **Green Procurement**

#### **Existing drivers for action**

2.5 There are several types of driver which have acted on Government policy towards green procurement.

- At international level - policy recommendations and advice from OECD, UNEP, etc; and most recently in the implementation plan agreed at WSSD
- At EU level - encouragement in framework policy documents (Sustainable Development Strategy, Sixth Environmental Action Programme) and specific instruments (regulations on EMAS and the EU ecolabelling scheme)
- At UK level - campaigning (and 'shaming' tactics) by NGOs; lobbying by potential suppliers seeking recognition for their green performance or product standards; and exhortation from various stakeholders for Government to take a procurement 'leadership role' in support of the policies it advocates others to follow.

2.6 These have had varying influence in practice on the conduct of procurement activities - NGO campaigning has probably had the most impact. However, in most cases the Government has been in reactive mode to these 'pressures'. It has rarely sought to seek proactive links between its sustainable development objectives and the opportunity to influence standards through the use of its own purchasing power.

#### The legal scope for action

2.7 A great deal of work has been done over last few years to clarify the scope to incorporate environmental considerations under the EC derived public procurement rules. In simple terms, environmental impacts of the production, use and disposal of products, or delivery of services, may all be taken into account in the procurement process. This is explained in more detail in Appendix B. However, the principles of free trade and competition cannot be compromised at any stage in the process, which for example, prevents transport distances from becoming an explicit selection or award criteria.

2.8 In July 2001 a Commission Interpretive Communication further clarified these provisions in relation to the existing directives. There are also some proposed amendments to the directives themselves to make legislation clearer, for example regarding use of ecolabels and production processes in specifications, but there is no intention to change the substance of the directives or the principles on which they are based. **The Group has concluded that there is currently no need to change the law in this area. There is sufficient scope to pursue environmental objectives in public contracts under the current directives.**

2.9 The critical issue under green procurement for the UK, and other Member states, is that we are not using the full scope available under the policy and legal framework to reflect the environmental objectives of sustainable development through Government procurement.

### **Value for Money**

2.10 The real difficulty is how value for money – which is the cornerstone of both the Government's own procurement policy and the EC rules – is being interpreted by Departments and procurers. In particular there is confusion

about the legitimate definitions of the 'value' side of the equation, especially where the value is not directly experienced as a financial saving for the budget holder parting with the money.

2.11 At the simplest level this effect is demonstrated by the lack of evidence that public sector authorities are routinely making purchasing decisions and consistently awarding contracts on the basis of whole life costs (which will often factor in green issues such as energy efficiency and disposal options). This is despite the fact that value for money is **defined** as "the optimum combination of whole life cost and quality that meets the users need". There are likely to be many reasons for this, but the Group believes that the key issues are:

- A continuing confusion between value for money and lowest price.
- Accounting procedures preventing budget holders from benefiting from the use of whole life costs and therefore offering no incentive to "invest to save". For example, individual budget holders may not be 'billed' for their energy costs separately and therefore gain no financial saving from using energy efficient products.
- Decentralising procurement responsibilities has many advantages but in terms of green procurement has resulted in too much being required of individual buyers in terms of product analysis and development of specifications. Frequently buyers will not have the necessary time, knowledge or expertise to carry out comprehensive whole life costing exercises, and indeed it may not be cost-effective for them to do so for relatively low value purchases.
- Tax incentives available to the private sector to encourage green purchasing, for example for conversion of vehicles to LPG and powershift grants, are not available to the public sector.

**2.12 However the Group has concluded that more thorough use of whole life costing would of itself lead to the purchase of more sustainable products without any change in policy.** One of the key tools to make this happen in practice will be to encourage use of centrally conducted whole life costing, procurement and cataloguing services so that the work is done 'once only' for Government. The mechanics of this are discussed in Section 5 below.

2.13 In addition to these practical issues, there is a higher level consideration that value for money will normally be understood as *value for the procuring Department as an operating unit*. Historically this has meant that 'value' excluded 'value in furthering policy objectives' or even 'value in preserving reputation'. This view is partly based on fact in that, at the award stage, environmental and other criteria must provide a benefit to the contracting authority. But this is only part of the story. It is at the business case and specification stages that wider issues – including those which provide value for money in the wider sense – should be considered and incorporated as appropriate. **This is where we can align sustainability and procurement objectives.** Indeed, the Government's policy on procurement of green electricity has provided a clear steer on this by acknowledging that if a premium is paid for this, value for money has nevertheless been achieved

*because there is value in realigning the market to meet emission targets.* This is an objective that would otherwise have to be met in a different, more expensive or less effective way. In the case of timber procurement the issues relate more to the value of Government's reputation.

2.14 However such policies should not be developed lightly. There is need for a rigorous **risk-based** approach which where possible quantifies these non-operational additions to value, which verifies the likely costs, and verifies the likelihood of real positive impact. In most cases where procurement is involved this demands a relatively sophisticated analysis of the markets and suppliers involved and the likely reaction of the market to change in policy.

2.15 This analysis should be done once – at the inception of the policy. It is important that individual buyers are then clear that they do not have to 'argue the case' again at the point of individual buying decisions. Nevertheless it is unrealistic to imagine a future in which an effective green procurement policy can be achieved by a series of individual product-related edicts. These may, however, act as indicators of intent, and will be particularly important for high-profile issues such as energy and timber.

2.16 The main task for UK Government is rather to embed green procurement successfully across the board. To do so there will need to be a stronger steer at Ministerial and senior management level, and a much better understanding right across the procurement community of value for money and sustainable development and how to incorporate them both into every day purchasing and major contracts.

2.17 No single action will achieve green procurement overnight. It will require tools, information and a culture change throughout the procurement community as well as leadership from Ministers and senior officials. The majority of the recommendations in this report address these issues. The group has identified the joint HMT/Defra statement on environmental issues in purchasing as a key document. **Revision and reissue of this document should be an immediate priority. It should contain a clear commitment to incorporation of the Government's sustainable development objectives into procurement activities and a clear explanation of how this should be done within the procurement rules and value for money policy.**

## **Social Procurement**

2.18 Consideration of social issues in procurement is less advanced in practice than environmental considerations, but is moving rapidly up the agenda, particularly amongst NGOs.

2.19 It is clear to the Group that the scope to incorporate social issues in the tendering and award stages of the procurement process is less than the scope to incorporate green issues – this is largely because many social issues do not relate directly to the subject of the contract. Tensions between EU and Government policy objectives relating to social aspects of sustainability and free trade and open competition, may be revealed in public procurement activities, but it may not be possible to resolve all of them in procurement terms. Some may ultimately have to be dealt with in other ways, such as changed policies, laws or international agreements.



2.20 However, the scope to consider social issues even now is far from negligible. In particular there is considerable scope for influence at **other** stages of the procurement process. For example, active encouragement of interest and bids from local suppliers, SMEs and social enterprises is a legitimate tool. Once a contract is placed, supplier development and contract management processes can bring legitimate pressure for improvement in sustainable practices.

2.21 The Group also noted that it is not yet clear in complex supply chains where the highest social impacts actually take place – we discuss food procurement in some detail in Chapter 7 as an example of this.

**2.22 Revision and reissue of the HMT/Defra joint note on environmental issues in purchasing will not be able to cover social issues to the same level of detail as green issues, as more research is needed (see Chapter 8). However, it should include a clear explanation of the current position on incorporation of social issues into procurement processes.**

### **Comparison with other Countries**

2.23 The UK has some specific green procurement commitments, for example on timber, renewable energy and recycled paper. The timber commitment in particular is an ambitious and challenging commitment which goes beyond that made by other countries. The UK also has a well established sustainable development strategy *A better quality of life* to drive forward the sustainable development agenda across the UK. However there has been no clear commitment to green government procurement more broadly as has been the case in some other countries. The UK government's guidance based approach has not sufficiently encouraged green procurement. For that reason the UK is probably behind others on the activities needed to embed sustainable development objectives throughout procurement .

2.24 A recent international survey of National Green Procurement Policies by the International Council for Local Environmental Initiatives *The World Buys Green* highlighted the activities of a number of leading governments on green procurement. Amongst Member states, Denmark and the Netherlands both have clear commitments to green purchasing. However, they have both experienced some difficulties in embedding the commitment comprehensively across Government procurement activity. Development of tools to support dissemination of up to date information on products remains a priority and both countries are exploring the potential for web based approaches.

2.25 Internationally, Japan appears to have one of the most comprehensive approaches to Green Procurement. It has a Green Purchasing Network at national level which both conducts purchasing and provides advice to consumers, companies and government organisations. It promotes the ideas and practices of green purchasing, draws up purchasing guidelines for each type of product, publishes environmental Data Books on various products, holds seminars and study meeting and awards commendations to organisations that have shown remarkable performance in implementing green purchasing. Canada, the USA and Austria have also put in place formal requirements for green public procurement.

**UK Green Procurement Commitments**

**Timber** On 28 July 2000 voluntary guidance on environmental issues in timber procurement became a binding commitment on all central government departments and agencies actively to seek to buy timber and timber products from sustainable and legal sources

**Paper** The Waste Strategy 2000 announced pilot arrangements for a scheme under which environmental policy would require public procurement of recycled goods, initially paper goods. Framework contracts are now in place to enable all departments to purchase 100% recycled copier paper and recycled paper for printed publications at competitive prices.

**Energy** The following target was agreed in May 2001: All departments will ensure that by 31 March 2003, at least 5% of their electricity comes from renewable sources that are exempt from the Climate Change Levy or from self generation, provided this does not entail excessive cost. This will rise to at least 10% supply from such sources by 31 March 2008, but will be reviewed after 31 March 2003 to take account of market conditions following the introduction of the renewables obligation. The review of 2003 will include consideration of increasing or bringing forward the target.

**Vehicles** Part B (Travel) of the *Framework for Sustainable Development on the Government Estate* published in July 2002 includes the following target for all departments: "at least 10% of all fleet cars to be alternatively fuelled by 31 March 2006", against a baseline year of 2002/03

2.26 There is likely to be much that the UK could learn from early leaders to ensure it now develops a successful approach to green purchasing across the board. In particular, success factors to follow are:

- A clear policy commitment.
- Clear guidance and management systems.
- Detailed information on green products and effective dissemination.
- Positive engagement with partners in the supply chain.
- Setting and measuring the achievement of targets and performance indicators for sustainable development.

### **3. What does Government buy?**

3.1 A review of civil procurement in Government published in 1999 estimated that the total annual procurement spend in the civil Departments, their Agencies and NDPBs to be in excess of £12.9 billion at current prices. Across Europe, public procurement has been estimated at 14% of EU GDP. Due to the decentralised nature of public procurement there is no detailed central tracking of spending activity. The Group has recognised that this is a matter of fact, and needs to be borne in mind when setting targets for sustainable procurement. Targets set as 'percentages of spend on product x or y' are likely to be unmeasurable, or measurable only at disproportionate cost. However from analysis of suppliers and main activities of departments it is possible to build a general picture of the main products, works and services Government buys.

#### **Suppliers**

3.2 In conjunction with Departments, OGC has recently reviewed and revised its list of key suppliers to central Government. Suppliers were identified partly on the size of spend across Government, although this was not the only criterion. These provide pointers as to the major areas of government spending and a steer as to the areas in which changes to government procurement practice could have the most influence.

**Table 1 Key suppliers to Government (in alphabetical order)**

<b>Supplier</b>	<b>Commodities provided</b>	<b>BiE index score &amp; overall ranking (out of 192 respondents)</b>
BT	Telecommunication Systems and Services	91-100% ranked 20
Cable and Wireless	Telecommunication Systems and Services	91-100% ranked 15
Capita	Managed Service Solutions	-
Hewlett Packard (Compaq)	Computer Hardware	-
Consignia	Mail Services	-
EDS	Managed Service Solutions	-
Group 4	Physical Security and guarding	-
IBM (now includes Price Waterhouse Coopers Consulting)	Computer Hardware and Managed Service Solutions	91-100% ranked 1
Land Securities Trillium	Facilities/Estate management	-

<b>Supplier</b>	<b>Commodities provided</b>	<b>BiE index score &amp; overall ranking (out of 192 respondents)</b>
Microsoft	Desktop Software	-
SchlumbergerSema	Managed Service Solutions	-
Siemens	Telecommunication Systems and Services and IT Managed Service Solutions	-
WS Atkins	PFI Construction	0-40% ranked 162

3.3 It is clear from this list that IT products and services and telecoms are important areas of Government spending. Outsourcing of services such as buildings and estates management is also an emerging area and one with potentially significant impacts on how environmental and social issues are factored into government purchasing. It is interesting to note that four of the top 16 suppliers participated in the BiE index of environmental engagement in 2001, and two, IBM and BT were ranked in the top 20. An average score in 2001 was 67%. The index is voluntary and based on surveys completed by companies themselves. Results should be treated with some caution, but higher percentages generally indicate a higher level of corporate engagement on environmental management and performance. On the basis of BiE participation and scores, not all suppliers are fully engaged on environmental issues and it may be a fruitful area for supplier development. It is not thought likely that the pattern of expenditure will change in the foreseeable future.

**3.4 In the case of existing suppliers the Group is clear that sustainability issues should be integrated into supplier development programmes. We recommend that OGC work with those organisations in Government, especially the Environment Agency and NHS PASA, which have already done significant work in this area, to develop a model for environmental supplier development work. OGC should then target specific environmental supplier development work at top suppliers and agree environmental action plans with them.** This work must of course recognise that at Departmental level the same suppliers will in many cases be involved in development of action plans in the context of the Framework for Sustainable Development on the Government Estate.

**We also recommend that in addition to its own work with the top suppliers OGC Supplier Development team co-ordinate the sharing of models of environmental supplier development work and feed this into the 'tools and best practice' part of the web support for buyers discussed in Section 5 below.**

### **PFI projects**

3.5 The Group noted that the nature of PFI contracts calls for a different approach to engaging suppliers on sustainability issues and that, for example,

a prescriptive approach to product selection is simply not appropriate in this type of commercial arrangement. Guidance has recently been issued jointly by ODPM, OGC, DfT and Defra - *Green Public Private Partnerships*. This guidance helpfully steers Departments towards use of BREEAM, Achieving Sustainability in Construction and the commitments departments have made under the *Framework for Sustainable Development on the Government Estate*. The aim behind the Framework is to ensure that departments identify and address their significant sustainable development impacts, and deliver continuous improvements over the long term. This should be compatible with PFI approaches.

3.6 Because of the specialist nature of this work it is particularly important that best practice is developed and shared. Now that the Framework has been published, OGC should develop a mechanism for sharing practical examples of how the commitments can be built into PFI projects. **We recommend that the Private Finance Unit in OGC encourages Departments to take up the practical advice offered in the Greening PFI guidance so that Departments can achieve significant additional benefits and possible savings by taking account of relevant environmental considerations from the start of developing a PFI project. Best practice examples should be publicised via the Framework website and the OGC PFI network.**

3.7 As well as construction and refurbishment there are other areas of direct spending with significant scope to reduce environmental impacts are:

- IT and telecommunications.
- Other office equipment and supplies including electrical appliances.
- Furnishings.
- Energy.
- Vehicles.
- Food.

3.8 Ideally the group would like to see development of a 'minimum standard for doing business with UK Government'. However we recognise that it may be difficult to implement this in a non-discriminatory way. **Nevertheless we recommend that as a minimum, standard environmental clauses (such as those developed by former DETR for goods, services and works) should be inserted into all Government contracts unless they are demonstrably inappropriate.**

3.9 The OGCBuying.solutions catalogues give an idea of the scope of Government and public sector purchasing, beyond major spend areas. In terms of product range the scope is vast, upwards of half a million items are available, many of low individual value. Spend through these catalogues is currently about £1 bn per annum. The current value of NHS PASA's contracts is in excess of £2.6bn with over 1,100 suppliers and over a million lines available to NHS bodies in England, via NHS and supplier catalogues. Many suppliers involved with these two organisations also contract directly with other public sector organisations including in some cases Government Departments. It is important that the collection of information on the

environmental performance of suppliers is not repeated many times across Government. **OGCs should work with NHS PASA and others in the public sector (eg Environment Agency) on environmental performance of suppliers to ensure that there is a co-ordinated approach which minimises the burden on suppliers**

### Quick Wins for Government

3.10 The Group was asked by Ministers to identify a number of 'quick wins' - where there is good environmental performance already available in products on the market, and no reason why the Government should not be buying to that standard now. By publicly adopting such product performance standards, the Government would send a strong signal to the market that it was stepping up its efforts on sustainable procurement.

3.11 The approach followed by the Group is one recommended by the Government's Advisory Committee on Consumer Products and the Environment. Quite simply, it starts from the standards which the Government itself is promoting to others - in schemes like its Enhanced Capital Allowances regime (ECAs) for tax allowances; the EU ecolabel and energy label schemes, which it runs and has a duty to promote; and the product endorsement scheme run for it by the Energy Saving Trust.

3.12 Table 2 lists a number of product types under the general categories of 'Office Supplies', 'Other Equipment', 'Larger Plant' and 'Consumables'. For each product type there is one 'quick-win specification' which, if applied as a required standard across all Government purchasing, will help to bring an immediate benefit. Further columns show other criteria which could be added to the required standard over time. In some cases these need further work; and across the board there would also need to be a fuller assessment of how far the adding of the further criteria would reduce the available supply base. But the basic premise is that the standard for every product could be ratcheted up over time, and that other product types could be brought into the frame, as the Government's knowledge base grows and improves.

3.13 For nearly all of the product types listed below, the specifications envisaged will also prove cheaper in terms of whole-life costs. OGC buying solutions have evaluated the list below and have concluded that, in any event, there is unlikely to be a significant price premium attached to most of these products, at least when purchased via large scale contracts. Paper remains the most significant area where there is a price premium that is not offset by reduced whole-life costs. However, greater purchase of recycled paper by Government may help to bring costs down over time (through successful 'market building') and it happens to be one area where the Government has already made a commitment (see box p21).

3.14 There is a further benefit to the 'quick win' approach, in that the power of public purchasing will add to the success of the various environmental schemes which the Government is also trying to promote to the market at large. This is because the simplest way for a supplier to prove compliance with the procurement standard will be to subscribe to the relevant scheme and its independent verification. (This is not essential for the supplier: there could be several ways of proving that the specification will be met, but there are

attractions for a supplier to use a short cut, showing that an independent body has already been satisfied on the same point.) For many of the product groups shown in the table, the 'short cut' approach for a supplier to prove compliance would be, for example, to qualify on the approved list of ECA products; or to be licensed to use the EU ecolabel for the product; or to be licensed under the Energy Saving Trust 'recommended' scheme. The notes in Table 2 pick out where there are synergies of this type.

3.15 The Group stresses that encouragement and exhortation, guidance and endorsement, are not enough to ensure that 'quick-win' products are actually purchased. Any commitment to delivering quick wins needs to be reinforced through the mechanisms buyers actually use to purchase goods and services. OGCbs and NHS PASA catalogues and other services need to prompt buyers, reminding them of the Government's commitment and provide clear information on whether products in their catalogue meet or exceed the commitment. And where Departments are issuing their own specifications to suppliers, these need to include, as automatically as possible, the 'quick-win' standard as a minimum. (The Group recognises that current contract arrangements and commitments to existing suppliers means that the new approach would have to be phased in.)

3.16 Furthermore, the 'quick wins' approach should be part of an ongoing programme, not merely a one-off set of recommended purchases. Further recommendations on how to drive forward standards and systems are set out in Chapter 6.

#### **Recommendations on 'Quick Wins'**

- **Departments should be informed (under the top-level statement and associated Treasury guidance) that in all the 'quick-win' product categories they are expected to buy goods which meet or exceed the performance criteria - or to account for the discrepancy.**
- **The 'quick wins' should be promoted through OGCbs and NHS PASA catalogues and other services. Relevant performance information on suppliers and products should be easily available so that buyers are able to make informed decisions.**
- **Catalogues should be updated regularly to ensure they continue to highlight best practice and should delete any products which do not meet the latest performance standard.**
- **The 'quick win' approach of minimum standards for Government purchasing should gradually be extended, so that there is a comprehensive set of green specifications across the major areas of Government spending and environmental impact. (This is developed further in Chapter 6).**





**TABLE 2 'QUICK WINS' FOR GREENING GOVERNMENT PURCHASING**

<b>Product type</b>	<b>The 'quick win' specification</b>	<b>Further specifications to be developed and introduced over time</b>		
<b>Office supplies</b>				
Personal computers (2)	<b>Energy saving:</b> Computer to meet current 'Energy Star' requirements	<b>End of life:</b> Components can be readily disassembled		<b>Noise:</b> 48 dB(A) idle 55 dB(A) accessing drive
PC monitors (2)	<b>Energy saving:</b> Monitor to meet current 'Energy Star' requirements	<b>End of life:</b> Components can be readily disassembled	<b>Mercury content of screens:</b> <3 mg of mercury per lamp	
Portable computers (2)	<b>Energy saving:</b> Maximum off-mode consumption of < 2 watts	<b>End of life:</b> Components can be readily disassembled	<b>Mercury content of screens:</b> <3 mg of mercury per lamp	<b>Noise:</b> 48 dB(A) idle 55 dB(A) accessing drive
Copying paper *	<b>Recycled content:</b> 100% recycled Minimum of 75% post-consumer waste	<b>Emissions to air and water:</b> To be developed from EU ecolabel criteria.		
Paper for printed publications *	<b>Recycled content:</b> Minimum 60% (of which 75% post-consumer waste)			
<b>Other equipment</b>				
Cars	<b>Carbon emissions:</b> UK Vehicle Excise Duty band 'A' or 'B' (ie, CO2 emissions < 150g/km)	<b>Other emissions:</b> EURO IV		
Domestic gas boilers	<b>Energy consumption in use:</b> <b>Rating of A or B under Defra / SEDBUK scheme</b>			
Fridges and freezers (including combined fridge-freezers) (2)(3)	<b>Energy consumption in use:</b> EU Energy Label class A	<b>Ozone depletion potential:</b> Refrigerants and foaming agents = 0	<b>Global warming potential:</b> Refrigerants and foaming agents <15	<b>Noise:</b> Less than 42 dB(A)

<b>Product type</b>	<b>The 'quick win' specification</b>	<b>Further specifications to be developed and introduced over time</b>		
Washing machines (2)(3)	<b>Energy consumption in use:</b> EU Energy Label class A	<b>Water consumption in use:</b> < 14 litres / kg	<b>Spin drying efficiency:</b> EU Energy Label Spin Drying Efficiency Class A or B or C	<b>Noise:</b> Washing < 56 dB(A) Spinning < 73 dB(A)
Dishwashers (2)(3)	<b>Energy consumption in use:</b> EU Energy Label class A	<b>Water consumption in use:</b> < 17 litres		<b>Noise:</b> < 53 dB (A)
Televisions (2)	<b>Energy saving:</b> Stand-by consumption < 1 watt	<b>End of life:</b> Components can be readily disassembled.	<b>Energy saving:</b> Link to upcoming EU Energy Label	
<b>Larger plant</b>				
CHP and large boiler equipment (1)	<b>Energy saving:</b> Standard as specified for Government's Enhanced Capital Allowances scheme			
Lighting systems (1)	<b>Energy saving:</b> Standard as specified for Government's Enhanced Capital Allowances scheme			
Energy control gear (1)	<b>Energy saving:</b> Standard as in the Energy Saving Trust endorsement scheme			
Thermal screens (1)	<b>Energy saving:</b> Standard as specified for Government's Enhanced Capital Allowances scheme			
Motors and drives (1)	<b>Energy saving:</b> Standard as specified for Government's Enhanced Capital Allowances scheme			
Refrigeration cabinets and systems (1)	<b>Energy saving:</b> Standard as specified for Government's Enhanced Capital Allowances scheme			
<b>Consumables</b>				
Tissue paper* (kitchen and toilet tissue)	<b>Recycled content:</b> 100% recycled	<b>Emissions to air and water:</b> To be developed from EU ecolabel criteria	<b>Energy in manufacture:</b> Not to exceed 11 G-joules per tonne of product	

<b>Product type</b>	<b>The 'quick win' specification</b>	<b>Further specifications to be developed and introduced over time</b>		
Light-bulbs (single-ended) (2)(3)	<b>Energy consumption in use:</b> <u>Compact fluorescent:</u> EU Energy Label class A <u>Pin based:</u> EU Energy Label class A / B	<b>Average mercury content:</b> Maximum: 4,0 mg	<b>Lifetime:</b> Over 10,000 hours	<b>Lumen maintenance:</b> <u>Compact fluorescent:</u> over 70% at 10,000 hours <u>Pin based:</u> over 80% at 9,000 hours
Light-bulbs (doubled-ended) (2)(3)	<b>Energy consumption in use:</b> <u>'Short Life':</u> EU Energy Label class A <u>'Long Life':</u> EU Energy Label class A	<b>Mercury content:</b> Short-life: maximum of 5 mg Long-life: maximum of 8 mg	<b>Lifetime:</b> Short-life: over 12,500 hours Long-life: over 20,000 hours	<b>Lumen maintenance:</b> Short-life: over 90 % at 12 500 hours Long-life: over 90 % at 20 000 hours
Paints and varnishes (indoor) (2)	<b>Volatile organic compounds:</b>  VOC content not to exceed: <b>wall paints:</b> 30 g/l <b>other paints:</b> 250 g/l <b>all other products:</b> 180 g/l	<b>Volatile aromatic hydrocarbons:</b> VAH content not to exceed: <b>wall paints:</b> 0,15 % of the product (m/m) <b>other products:</b> 0,4 % of the product (m/m).	<b>Titanium Dioxide production:</b> To be developed from EU ecolabel criteria	
Soil products (growing media and soil improvers) (2)	<b>Organic ingredients:</b> <b>All ingredients to be derived from the processing &amp; /or re-use of waste materials</b>	<b>Pathogens and hazardous substances:</b> Limits to be derived from EU ecolabel criteria		
Detergents (laundry) (2)	<b>Biodegradability:</b> All surfactants to be biodegradable under aerobic conditions <b>Total chemical content:</b> Total not to exceed 100g per standard weight of wash (Heavy-duty detergents - per 4.5 kg load, dry textiles) (Low-duty detergents - per 2.5 kg load, dry textiles)	<b>Critical Dilution Volume:</b> CDV of recommended dosage not to exceed 4500 l per wash	<b>Phosphates:</b> Total not to exceed 25g / wash	<b>Insoluble inorganic ingredients:</b>  Not to exceed 30g / wash

<b>Product type</b>	<b>The 'quick win' specification</b>	<b>Further specifications to be developed and introduced over time</b>		
Detergents (all-purpose cleaners) (2)	<b>Biodegradability:</b> All surfactants to be biodegradable under anaerobic conditions	<b>Critical Dilution Volume:</b> CDV of recommended dosage not to exceed 400 litres / functional unit	<b>Phosphorus:</b> Total phosphorus not to exceed 0.2g / functional unit	<b>Phosphonates:</b> Not exceed to exceed 0.02g / functional unit
Detergents (sanitary) (2)	<b>Biodegradability:</b> All surfactants to be biodegradable under anaerobic conditions	<b>Critical Dilution Volume:</b> CDV of recommended dosage not to exceed 4000 litres per 100g of product	<b>Phosphorus:</b> Total phosphorus not to exceed 2g/100g of product	<b>Phosphonates:</b> Not to exceed 0.2g/100g of product
Detergents (hand dishwashing) (2)	<b>Biodegradability:</b> All surfactants to be biodegradable under anaerobic conditions	<b>Critical Dilution Volume:</b> Not to exceed 170 litres for each litre of dishwashing water		
Detergents (dishwashers) (2)	<b>Total chemical content:</b> Not to exceed 22 g per standard wash	<b>Critical Dilution Volume:</b> Not to exceed 80 litres per wash	<b>Phosphates:</b> Not to exceed 9g per wash	

Shortcuts for suppliers to show that they satisfy the specification:

- (1) Listing on the Carbon Trust lists of products which qualify under the ECA regime.
- (2) Licensed to use the EU ecolabel for the product. (Also establishes compliance with standards on the "further specifications" columns.)
- (3) Licensed to use the Energy Saving Trust's "recommended" label.

\* Due to volumes of paper products purchased by Government, WRAP have recommended that purchase of recycled paper products is phased in over a number of years to avoid market distortion, eg 35% recycled content by weight by 2003/4 rising to 75% by 2006/7. Targets will be developed as part of the *Framework for Sustainable Development on the Government Estate*.

## **4. How does Government buy? – Barriers and Opportunities in the Public Procurement Process**

4.1 As explained at the start of this Report the scope for Green procurement within the rules laid down by EC directives and UK procurement policy is actually quite clear. The barriers therefore do not appear to lie within the rules themselves, but in perceptions of them. The group has explored the barriers and opportunities for sustainable procurement in the context of UK public procurement processes, including through case studies of the existing green procurement commitments on timber, paper and renewable energy.

4.2 Public procurement in the UK is highly fragmented. Individual Government departments typically have their own independent procurement function and indeed the executive agencies of departments may also have separate and independently accountable procurement groups. (There is a widespread misconception that OGC buys 'for' Government or can mandate Departments; this has led to some ill informed comment by outsiders).

4.3 Local authorities again have procurement departments as do individual NHS Trusts and educational establishments. Whilst there do exist national or local organisations and Consortia (such as OGCbuying.solutions, the NHS Purchasing and Supply Agency, the various Local Authority and Higher Education buying consortia) use of arrangements generated centrally is generally not compulsory for participating organisations. These arrangements have strengths in terms of direct accountability and ensuring that the needs of end users are appropriately and flexibly met, and sit comfortably alongside similar devolution of budget control. However they do not lend themselves readily to the quick and clear dissemination and implementation of Government policies in areas such as sustainability.

### **Perceptions of green procurement**

4.4 The scope to buy green within the Framework of public procurement rules was outlined in Chapter 1 of this report and in more detail at Appendix B. However we have already noted that the requirement in the EC rules and the Government's procurement policy to obtain value for money has frequently been raised as an obstacle to green procurement, both by buyers and those outside government. Buying green and obtaining value for money are still seen as conflicting objectives by many in the procurement community.

The Group believes that this perception needs to be tackled at its root. **Value for Money is not an end in itself. Government buys in order to achieve those things which it has set out to do. If Government has resolved to conduct its business in a sustainable manner then there can be no choice other than to conduct its procurement in a sustainable manner.**

A firm understanding of the procurement rules is undoubtedly a necessary foundation for effective green procurement. The Group is clear that better procurement practice in general will support and strengthen specific efforts to support sustainable development through procurement.

## **Building environmental considerations into the procurement process**

4.5 The first key to achieving both environmental and economic objectives in procurement lies in understanding the stages at which they are incorporated into the procurement process. As mentioned above, environmental issues should be considered from the earliest stages, in defining the user's requirement and the quality of the product or service required. The user's requirement can include environmental considerations such as green production processes and criteria drawn from eco-label schemes, so long as they are not discriminatory. These criteria should be built into the specification and the best value for money option that meet the specification would be awarded the contract. For example, the requirement could be for 100% recycled copier paper. The best value for money option would be the best value 100% recycled copier paper. Copier paper which was not 100% recycled would simply not comply with the specification and would be rejected whatever the price.

4.6 There has been considerable discussion at EC level about the extent to which wider environmental impacts or "externalities" can be incorporated into public procurement, and what environmental factors can be incorporated at the award stage. A recent case before the European Court of Justice regarding environmental requirements in the supply of buses to the public authority in Helsinki has focused attention on the scope to include wider environmental criteria, beyond production processes, in public procurement contracts. The outcome of that case is compatible with the UK Government's position that environmental criteria must be related to the subject of the contract, but the judgement has been interpreted by many social and environmental NGOs as opening the door for consideration of externalities - issues which do not relate directly to the subject or performance of the contract - at the award stage in procurement contracts (See Annex B for clarification of permitted environmental considerations). It will be important for the UK to clearly set out the position on externalities and award criteria in the revised joint note on environmental issues in purchasing so that buyers develop a good understanding of both the potential for and limits to environmental considerations in procurement.

4.7 At the award stage, environmental criteria can be introduced, provided they are relevant to the subject of the contract and provide a value for money benefit for the contracting authority. There has been a debate at European level about the scope to incorporate wider environmental criteria at the award stage. The UK, together with the Commission and most other Member States believes this would in fact allow discrimination, by introducing new criteria at a late stage, which it would be difficult to assess objectively and fairly. The preference is for criteria to be made clear and specific to suppliers up front, at part of the specifications on which tenderers are invited to compete. This also avoids any potential conflict between buying green and securing value for money, since they are considered at different stages in the procurement process.

4.8 At the level of individual purchases, whole life costing can be an important tool in making a business case for green procurement. For example, good

energy efficient products always recoup the additional up front costs over the lifetime of their use in comparison with other products. However, a stumbling block has been that there is very little whole life costing information available to buyers, and they do not have the expertise to develop it. The Carbon Trust is confident that whole life costing arguments can be made in favour of nearly all energy efficient products. It is keen to help departments develop a comprehensive long term approach to low carbon procurement, of which whole life costing is a part, and has the expertise to support them. **The Group recommends that this offer is pursued. To be cost effective, this assistance may be better aimed at advice to central buying groups rather than at individual departments. This support would be delivered through the Carbon Trust's Action Energy Programme. Action Energy provides advice on best practice energy efficiency procurement and operation of both buildings and equipment.**

4.9 Good whole life costing may help buyers and budget holders make the case for procurement of a greener product, even at higher initial cost, but it should not be seen as the only way of reconciling environmental and value for money criteria. There may be cases where whole life costing is not available, or where it does not yield a clear steer to buy green. Not all environmental criteria have an impact on whole life costs (because there may be no cash price on environmental impacts caused) and in some cases whole life costing may not be persuasive. Risk assessment should also be a factor in making the case for procurement of a greener, and perhaps more costly, product. As described above, environmental criteria should generally be built into the specification from the start. Whole life cost is then one of the criteria which will inform the decision. This approach needs to be signalled emphatically in the proposed new joint statement on sustainable procurement.

4.10 This underlines why there needs to be a clear mandate to buy green from Ministers - an expectation that green procurement should be the norm rather than the exception. Otherwise action by the procurement community will continue to be limited to a few products.

4.11 At departmental level, a dedicated environmental purchasing policy is needed. **We recommend that all Departments implement an environmental purchasing policy.** This would set the parameters which all budget holders must operate and would provide the mandate for purchasing managers to seek out the most environmentally preferable solution. **This should be developed under the *Framework for Sustainable Development on the Government Estate*.** Guidance produced by NHS PASA on developing an environmental purchasing policy may be a useful starting point.

### **The Gateway Review Process**

4.12 The Gateway Review process is likely to be a critical mechanism for ensuring the sustainability of major civil procurement projects in central Government. All new procurement projects are subject to the Gateway Review Process which is designed to examine a project at critical stages in its lifecycle to ensure that it can progress successfully to the next stage. The process is well established and applicable to a wide range of projects. It should provide an excellent vehicle for ensuring that sustainable development

impacts are considered from the earliest stages of a procurement project, as part of the business objectives.

4.13 The greatest gains in terms of sustainable development can usually be made if social, economic and environmental impacts are built in from the earliest stage, in the strategic assessment and in appraisal of options. Building environmental considerations into specifications will be a later step. Review stage 0 – 2 are therefore likely to be critical in determining the sustainability of a project. Impacts on headline indicators of sustainable development should be a key area to probe.

**OGC should build consideration of sustainable development criteria into the Gateway process**

**Case Studies of green procurement**

4.14 The Group has analysed progress on three of the current green procurement commitments in order to understand how green procurement works in UK government and develop recommendations for how to support green procurement in the long term.

**Case Study 1 : Energy**

The Government established a target in June 2001 for Departments to purchase 10% of their energy from renewable sources by 2008, providing this does not entail excessive cost. Good progress is already being made, with a number of departments reporting in November 2001 that they were purchasing more than 10 % renewable energy. There seem to be two main reasons for the success in purchasing green energy. There was a well defined commitment from government and the purchasing is carried out by a small number of staff within each department, in dedicated central teams.

**Case Study 2- Timber**

The UK Government made a high profile commitment in July 2000 to seek to purchase timber from sustainable and legal sources. This was an ambitious commitment as the public procurement rules do not permit the specification of particular labels to the exclusion of other products which meet the underlying requirement, and the equivalence of other evidence is difficult to assess. Timber procurement may be a one-off activity, or part of a larger project, and the responsibility for meeting the commitment may be passed down a complex supply chain. All of these make the government's timber commitment extremely difficult to monitor.

Departments were provided with guidance on the commitment, but it has become clear that the absence of a robust model specification and clear guidance for departments on how to assess evidence of a sustainable and legal source have led to weaknesses in delivery.

NGOs have exposed weaknesses in departments' timber procurement, notably the refurbishment of the Cabinet Office building at 22 Whitehall. The EAC has also produced a highly critical report on Government timber procurement following their inquiry *Buying time for Forests*.



**Case study 3: Paper**

Procurement of environmentally preferable copier paper is seen by some as such a simple example of green procurement that it does not merit further debate. It is over ten years since the first green housekeeping guidance recommended purchase of recycled paper, yet it still does not happen consistently across Government.

Procurement of standard stationery items is fragmented, and difficult to monitor. Individual decisions taken locally can easily ignore a high level commitment to buy green products, especially if there is no standard green list of products from suppliers. Another factor is the lack of an agreed standard for environmentally preferable paper. Some people claim that virgin pulp from sustainably managed forests is preferable to recycled paper. Perceptions of the lower quality of recycled paper may also still persist, although very high quality 100% recycled paper is now available. Lastly there is the barrier of added cost and perceived conflicts with value for money. A corporate commitment to buy recycled would mean that value for money should be obtained on that basis of that requirement; the comparative costs of recycled versus non-recycled would not be relevant in terms of procurement policy, although there may be cost implications for the Department to consider in terms of its own budget and competing objectives. Overall, the lack of a clear commitment to buy recycled has left a loophole for departments.

The Waste Strategy 2000 set out a commitment for Government to pilot purchase of recycled products, initially paper, to support diversion of waste from landfill. This clarified the Government's preference for recycled paper over any virgin paper, and a framework contract was set up in June 2001 with the aim of enabling departments to purchase 100% recycled paper at a competitive price. However purchase of recycled copier paper is still not mandatory and progress remains patchy.

4.15 Future recommendations for sustainable procurement need to recognise the decentralised nature of the procurement process, and the difficulty in monitoring individual purchases. The three case studies demonstrate that commitments have worked best where there has been clarity, commitment, co-ordination and centralised control within government (eg energy) because it provides for a consistent approach, can better influence the market and provides the necessary expertise. They have worked least well where left up to individual departments or buyers. For complex issues like timber, most buyers do not have the necessary expertise to know whether evidence they receive meets the Government's commitment.

4.16 In all cases, the Government needs to consider how any further commitments for example on the quick wins discussed above would be delivered in practice, and how compliance would be monitored. Further commitments to sustainable procurement should not be made without development of appropriate performance measures, systems for reporting progress, the necessary tools for implementation and the information to deliver. Specific recommendations on tools and information to support buyers are in Chapter 5, and recommendations on monitoring in Chapter 9.



## **5. Influencing the procurement process**

5.1 This chapter focuses on the actions and resources needed to fully support a firm government commitment to support sustainable development through public procurement activity.

### **Leadership**

5.2 Leadership to deliver sustainable procurement will come from three sources within the machinery of Government - Defra, OGC and departments themselves. But this will not happen effectively unless the UK Government makes a strong overarching statement of its commitment to sustainable procurement.

5.3 One of the benefits of the Group's work has been to strengthen existing links between those responsible for sustainable development policy and procurement policy, and extend them to senior procurement officials and other environment policy leads. Successful delivery of the objective of sustainable procurement requires that these links are maintained. The Environment Agency has also indicated that it is willing to act as a pilot on sustainable procurement issues, ahead of roll out across Government.

### **Roles and Responsibilities**

**Defra** leads on sustainable development policy and will continue to provide expertise on specifications, environmental standards and analysis of environmental impacts of products.

**OGC** leads on procurement policy and the interpretation of EU Directives. It will provide advice to departments on how to take forward sustainable procurement commitments within the policy and legal framework for public procurement.

**OGCbs** provides a professional procurement service for central civil government. It will ensure that its catalogues and services enable departments to meet sustainable procurement commitments through the goods and services they buy. Jointly with Defra it will provide expertise on specifications and environmental standards

5.4 However this should not become an artificial boundary. Procurement is about buying real things using real contract conditions; it is the interplay between the two which creates the desired result. Working together, following the necessary statements of commitment from Government, Defra and OGC will provide a clear, positive and comprehensive delivery framework for Departments.

5.5 The existing Defra/HMT joint note has been seen as less helpful than it could have been as it is worded permissively rather than positively. It does not offer nor point to sufficient practical guidance. It also does not cover the social angle of procurement. The statement is in urgent need of revision. A revised version should contain more positive wording regarding the incorporation of the Government's sustainable development objectives into procurement

activities and offer clear guidance to buyers on how to go about it. It should be supplemented by the answers to 'Frequently Asked Questions'. There should be accompanying positive PR messages and shorter high level document should be issued to all departments concerning sustainable procurement aimed at Permanent Secretaries, and accounting officers.

5.6 However neither Defra nor OGC can mandate Departments to follow guidance and best practice. There also needs to be a stronger, broader awareness and commitment to sustainable procurement in all departments. The Group sees the main vehicle to drive this as the Framework for Sustainable Development on the Government Estate, published in July 2002, which requires departments to identify their key sustainable development impacts. A procurement section of the Framework is already planned, to be published in early 2003. The Framework should provide a good starting point for development of a consistent approach to sustainable procurement in each department and **the Group recommends that ENV(G) should lead on further development of procurement aspects of the Framework.**

5.7 Achieving sustainable procurement will involve a significant culture change in the procurement community. It will need to be supported by a long term programme of education, development of knowledge and expertise in the procurement community but also ownership of sustainable procurement amongst internal clients, finance officers and Ministers.

#### **Recommendations on leadership for sustainable procurement**

**The Defra/HMT joint statement on Environmental issues in purchasing should be revised and reissued as a statement on Sustainable Government Procurement. The revised note should contain:**

- **A clear commitment to the integration of the Government's sustainable development objectives into procurement activities**
- **An explanation of the relationship between value for money and sustainable development in procurement**
- **Clear guidance on how to achieve both within the procurement process**

**The Procurement section of the Framework for Sustainable Development of the Government Estate should include targets and commitments focus on ensuring:**

- **ownership of the Government's overarching commitment to sustainable procurement by individual Departments**
- **a commitment for all Departments to develop environmental purchasing policies**
- **purchase to minimum standards for a range of products in all Departments (as outlined under quick wins)**

## **6. Supporting Buyers – Tools for reliable and accessible information**

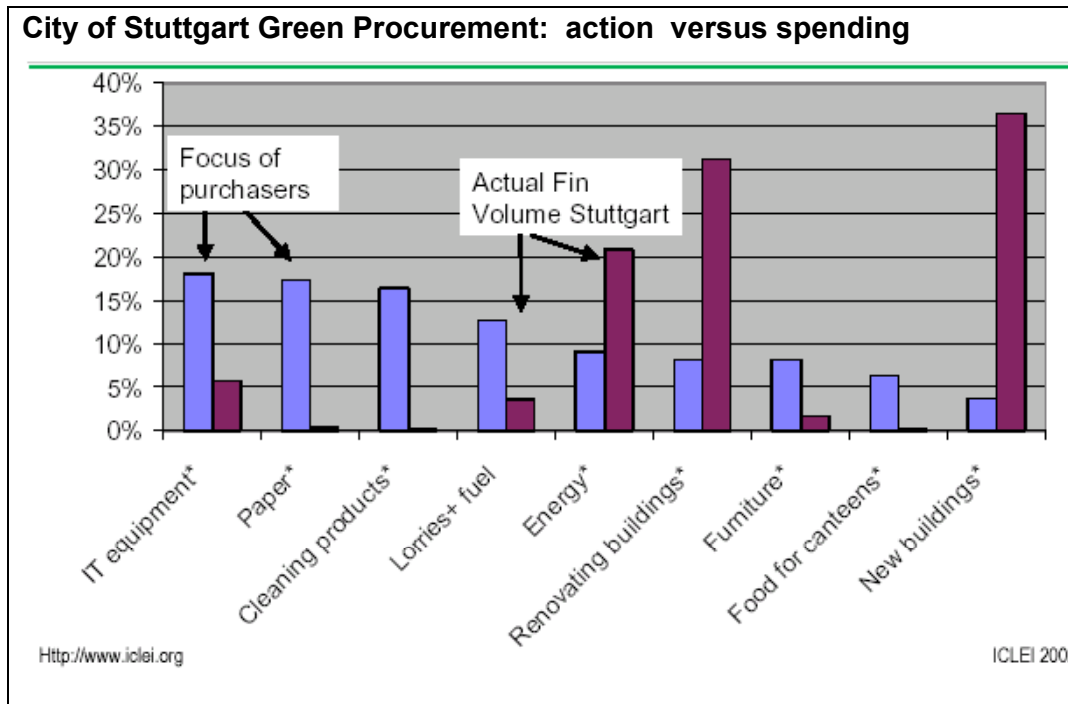
6.1 Buyers need to have enough knowledge to understand the need to integrate environmental and social criteria into specifications and contract management, but they should be able to call on centralised expertise and information to help them do this effectively. To date, too much has been required of individual buyers. It is not an efficient use of resources to require them to do research on products, and make their own case for sustainable procurement. There needs to be a mechanism to identify all the main impacts which should be addressed in the procurement process, as well as centrally managed sources of information and advice needed to support buyers in addressing them. Both should help reduce the burden on individual buyers to deliver sustainable procurement.

### **Risk Assessment**

6.2 The Group is clear that risk assessment (impact, likelihood etc) is the key tool to sensible decision making in incorporating sustainability criteria into any individual procurement.

6.3 The Group has attempted to identify some of the key environmental impacts from across Government procurement. 'Quick wins' and other cross government commitments will help to get green procurement moving, but further development of the process needs to be thorough and systematic. The Group has focused on products and issues which are likely to be common to most departments, but there will be other procurement activities which are unique to individual departments. Tools are needed to ensure that all departments cover major spend and high risk areas, not simply those with the highest profile or which are common to all departments. Without proper ongoing analysis there is a danger that too much emphasis, and resources, may be concentrated on high profile areas which may not match up with Departments' main impacts. This is a genuine risk, illustrated by the graph below which shows that the green purchasing activities of the city of Stuttgart were not focused on major spend areas and thus seem unlikely to have addressed the authority's main impacts.

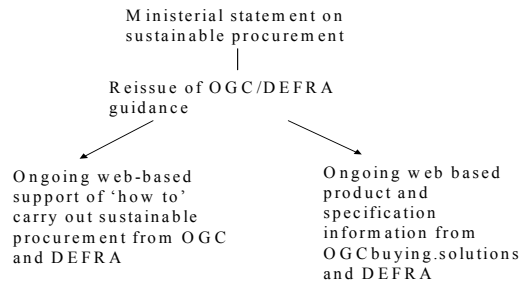
6.4 The Environment Agency has been a pioneer on green procurement issues and has developed a systematic methodology for assessing environmental risks in procurement. An environmental risk assessment is routinely carried out for all projects over £10K. Departments should carry out similar assessments for major purchases and OGCbs and NHS PASA should also review the key impacts of the goods and services it supplies.



6.5 Indeed we **recommend that a requirement for environmental risk assessments (to a predetermined level) should be incorporated into all Departmental procurement processes and that a Department's Green Minister should sign off environmental risk assessments above a certain threshold.** These reviews should be based on the significant environmental impacts already identified by Departments (as a requirement of the *Framework for Sustainable Development on the Government Estate*) and should include, but not be limited to impacts from energy, waste, water, transport, hazardous/ozone depleting substances and greenhouse gas emissions. EA and other sources have models available that can be shared by Departments. **We recommend that OGC should develop and promulgate such approaches.**

#### Guidance

6.6 There is also a key role for good central guidance on the detail. All those involved in the procurement process, especially users and buyers, need to understand the sustainable development concept, be aware of their responsibilities for contributing to it through procurement, and know how to incorporate environmental and social considerations into the procurement process.



6.7 Alongside the revised note there is a need to update the Green Guide for Buyers. This was last revised in 2000 and is currently housed on the Defra website. It is frequently cited as a source of information on public sector green purchasing but it will need 'relaunching' as an integral support for the revised Defra/OGC joint statement and should be visibly endorsed by both OGC and Defra. The Group recommends that in future a distinction is made between policy and product related data, with OGC taking the lead on liaison with Defra for the former, OGCb.s for the latter.

6.8 We noted that the IEMA, CIPS and NHS PASA have recently published *Environmental Purchasing in Practice: Guidance for Organisations*. The guide provides much more detailed information than the Green Guide for Buyers on the procurement process. It contains FAQs and case studies on the incorporation of environmental issues in all stages of purchasing from identification of needs, through specification, tendering and award of contracts to contract management and accounting. Whilst this is a guide for all organisations, it contains specific additional sections on public sector purchasing.

**6.9 The Group recommends the Government should actively support and use the IEMA/CIPS/NHS PASA guide in order to help public procurement professionals understand how and when to incorporate environmental issues into the various stages of the procurement process and do so consistently.** This would form the one element of the supporting documentation issued in tandem with the revised OGC/Defra statement recommended above. The Group recognises that OGC has not been directly involved in the development of the document to date but would hope that it could, at least with only minor amendment, be readily adopted as OGC 'best practice' guidance and promulgated accordingly. It will be important to ensure however that it is consistent with the revised joint note from OGC/Defra and the planned EC guidance due later this year.

### **On-line product information for buyers**

6.10 The IEMA/CIPS/NHS PASA guidance tells buyers how and when to incorporate environmental considerations, but buyers will also need information on the actual performance criteria to build into specification. Access to reliable, up to date specification criteria and product information for buyers will be vital if the Government is to deliver on a commitment to sustainable procurement.

6.11 The Group considers that the most effective tool would be a dedicated web-site which would provide a readily accessible source for buyers. Key features would be:

- Recommended performance criteria for the goods and services which government buys, which should be built into all relevant procurement specifications;
- Model text for including such specifications in tender documents for potential suppliers;
- Searchable databases covering for certain products and types of supply, showing how well they meet the standards.

This should be firmly linked into existing mechanisms for public purchasing, such as the OGCbs catalogues.

6.12 The Group has also considered who should be responsible for taking this forward. Currently, officials in Defra are responsible for raising awareness of green products with business and consumers, but they have not had effective routes into the public sector. OGC has responsibility for procurement policy and good practice in public sector procurement, but do not have the expertise to develop sustainable product information. OGCbs and NHS PASA have a role in streamlining the procurement process for public sector buyers, through advice and their catalogues. To be effective, the website needs to be developed with input from all four organisations and therefore the Groups recommends the following

- Defra and OGCbs should together develop a database of product information and specifications in key product areas including building materials, furnishings, office and IT equipment, vehicles, food and other consumer products (eg electrical goods, small consumables), liaising to ensure that gaps in information are identified and that overlaps are avoided. OGC bs would lead on the development of information in product areas which are relevant to government purchasing. Defra would lead on how to present information in the database to audiences other than public sector buyers and develop additional product information for those audiences where necessary.
- OGCb.s, NHS PASA and Defra should be jointly responsible for the effective dissemination of product information to public sector buyers. This would include development and maintenance of a website, linked to OGCbs catalogues, and aimed initially at public sector buyers, but with potential to be expanded to wider private sector audiences, including individual consumers. OGCb.s, NHS PASA and Defra would also need to be actively involved in ensuring that once products are identified, government agrees the minimum standards for its purchases and appropriate model specifications are developed. To do so, a robust knowledge base for developing product standards must be developed which is relevant to both the Government's purchasing needs and sustainable development objectives.
- OGCbs and NHS PASA should ensure that their catalogues are regularly updated to highlight products which meet specifications listed on the website. Products which do not meet the standards (initially those set out



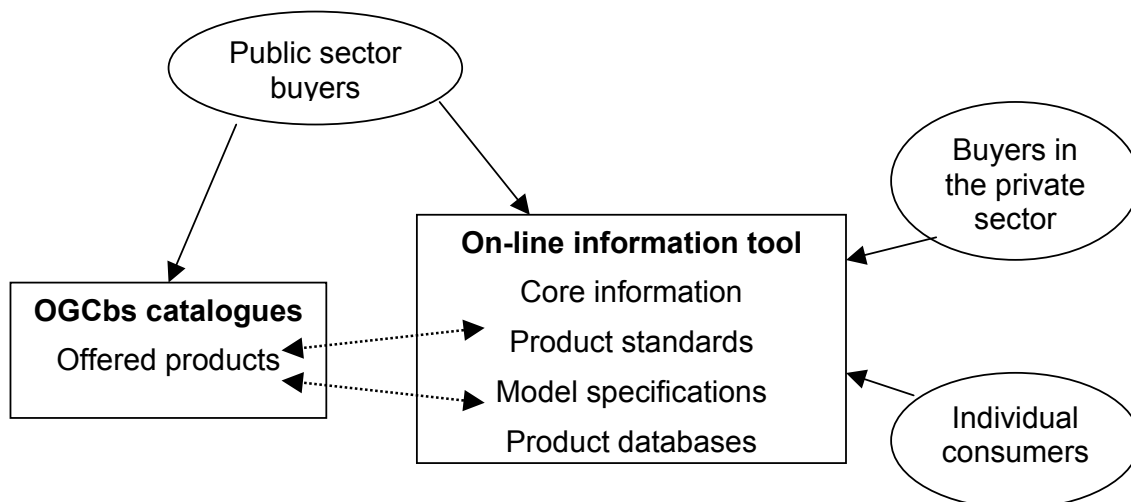
under “quick wins”) should be phased out from the catalogue. OGCbs/NHS PASA should also direct buyers to the sustainable products website for specification information.

6.13 Defra currently has funding to develop a pilot website, initially covering two or three product areas. Subject to Ministers agreement that UK Government should make a firm commitment to sustainable procurement, this would be taken forward as a pilot for the comprehensive product information website with the links described above. Larger scale, dedicated resources (administrative and programme) would be needed in Defra and OGCb.s to ensure that the site delivered a full and high quality service and was fully attuned to new product developments, the Government’s purchasing needs and sustainable development objectives. OGCbs have already established a post to develop environmental information on products, and this work would need to tie in closely with development of the website.

6.14 Although this work would be new for UK Government, there is much that the should be able to learn from other Governments work in this area, including the USEPA Danish EPA and Environment Canada. The Group recommends that their work should be utilised, wherever possible. A risk based approach should also be taken to identify priority product areas for the website.

6.15 Establishing a sustainable products website would be the clearest possible demonstration that the Government was taking its commitment to sustainable procurement seriously. It would provide the clear and unambiguous information that public sector buyers say they need to carry out green procurement. It also has considerable potential to be a streamlined mechanism for reaching private sector purchasers and individual consumers. Given the scale of government procurement, the potential wider audience and the signals it would send to the market, SPG believes it would be a highly worthwhile investment.

### Sustainable Products Website - links



### **Recommendations on mechanisms to support buyers**

**Defra, OGC and OGCbs should collaborate in drawing together advice and best practice into a single web-based tool to support sustainable procurement.**

**Defra should begin with a pilot project to demonstrate the potential, then proceed to develop and maintain a comprehensive service with OGCbs support.**

**The web-site should provide recommended standards that buyers would be expected to meet or better in their purchases, with model text for tender specifications and searchable databases in key areas.**

**Defra and OGCbs should be jointly responsible for ensuring that the knowledge base for developing product standards is robust and relevant to the Government's purchasing needs and sustainable development objectives; and that it is kept updated with a view to continuous improvement in standards.**

**OGC.bs should lead in promoting the on-line information tool to buyers in public procurement, while Defra should also develop its potential for steering purchasing choice among private sector buyers and household consumers.**

**OGC.bs should underpin this by ensuring that (for purchasers who buy direct rather than running their own tender specifications) its catalogues and services automatically provide buyers with solutions that meet the minimum standards promulgated on the web-site.**

## **Education and Training**

6.16 Training for procurement professionals is needed to underpin the revised joint statement and ensure that buyers fully understand their role and responsibilities in green procurement. The Chartered Institute of Purchasing and Supply CIPS have been involved in green purchasing issues since 1995 and are already considering how to incorporate sustainable development into their core training for professional purchasers. The Group asked CIPS to address the following issues in particular:

- How government can use its purchasing influence to achieve better performance down the supply chain?
- What training and development for procurement professional is needed to overcome the 'fear factor' that green/sustainable procurement does not comply with value for money?
- How to convince those purchasing goods and services on behalf of government that they have responsibility to help government achieve its sustainable development objectives?

6.17 CIPS were keen that purchasers should understand that sustainable procurement may mean completely rethinking requirements rather than simply buying a greener version of an existing product. This could only be achieved if

purchasers and internal customers were given sufficient training to search for alternative solutions. Rethinking requirements has strong links with the innovation agenda and will need further development to determine how best to establish links between the public purchasing community and researchers and business.

6.18 CIPS also thought that in an environment of devolved purchasing there would need to be different training for specialist and non specialist purchasers, and training would also be needed for senior staff such as finance directors to ensure their commitment. This would be important as CIPS thought that more consistent messages about commitment to sustainable procurement would be needed to convince the supply chain. A summary of the CIPS recommendations is given in the box below. Their complete submission is at Annex H.

### **Summary of CIPS recommendations on training and development**

#### *Influencing the Supply chain*

Worked examples and case studies are needed for purchasers in government illustrating how they can act to drive improvement in the supply chain. Examples should include

- Wording to be used in tender documents
- Supplier selection criteria
- Tender evaluation criteria
- Material for use in supplier workshops

#### *Overcoming the 'fear factor'*

- Worked examples to illustrate how sustainable procurement is consistent with delivering the government's required standard of 'quality and whole life costs'
- Set up seminars, discussion groups and informal networks
- Provide incentives for implementing sustainable procurement

#### *Purchaser responsibility for sustainable development*

- Set personal objectives and targets in sustainable procurement and make these a routine part of the appraisal process.
- Accounting procedures may need to be changed to allow groups and individuals to retain some or all of the saving achieved through improved procurement (including sustainable procurement).
- Better forward planning to enable better procurement practice (and sustainable procurement)
- Sustainable development awareness-raising for a wide range of staff in government.
- Sustainable procurement to be a core competence in the purchasing and supply discipline

6.19 CIPS also commented that purchasing is frequently carried out to very short and strict deadlines, and that in these circumstances sustainable procurement is extremely difficult. Better forward planning would allow purchasers to investigate alternative solutions and potentially to purchase from more responsible suppliers, but will only become a reality if budget holders as well as purchasers are aware of the issues.

6.20 The Group agrees with the thrust of CIPS recommendations and wishes to strongly reinforce their view that sustainable procurement should be “an integral part of the irreducible core competencies within the purchasing and supply discipline”. **The Group believes that to view training in sustainable procurement as an ‘add on’ may actually be counter productive in suggesting that this is an optional alternative for Government buyers rather than part of their core remit.** However, Ministers should be aware that this is not yet in place and needs to be accelerated. Government should capitalise on CIPS intention to develop sustainable procurement training and suggests that SDU and OGC should assist CIPS in developing suitable training materials. In conjunction with the Innovation White Paper, DTI should also consider with CIPS how public purchasers might develop the skills to “rethink requirements”.

6.21 It also worth noting that the Environment Agency is currently piloting environmental purchasing training material for its staff, the content of which could in future be shared by Government departments. NHS PASA has also commissioned the delivery of one-day environmental purchasing workshops to the NHS. This workshop is available under a framework contract for use by any Government department.

6.22 Sharing of best practice will also have an important part of embedding sustainable development objectives in procurement practice. A sustainable procurement best practice group should be established for all departments to exchange experience and ideas. Ideas for this group are developed further under ‘taking the work of the Group forward’.

### **Recommendations on Education and Training**

SDU and OGC to work with CMPS and CIPS to develop training on sustainable procurement to be included in the Certificate of Competence in Purchasing and Supply

As part of OGC’s agenda of knowledge transfer and embedding best practice, ensure that appropriate existing standards and approaches to sustainability (eg Achieving excellence in Construction) are used consistently across Departments and agencies

SDU and OGC to review existing environmental purchasing training developed by the Environment Agency and NHS PASA for its suitability for use by other Government Departments.

A sustainable procurement best practice group should be established for all departments to exchange experience and ideas.

## **7. Putting Sustainable procurement into practice – sectoral examples**

As well as looking at case studies of particular products, the Group has looked at two contrasting areas of public procurement - construction and food. Both are considered by NGOs and advisory bodies to be key areas to tackle, in sustainable procurement but the Group has concluded that knowledge of each in terms of how they can contribute to sustainable development goals is very different.

### **Sustainable Construction and Refurbishment**

7.1 Construction has long been recognised as a sector with significant impacts on sustainable development and considerable work has already been done to drive the sustainability agenda forward through the industry. As a major construction client Government has an opportunity to improve its own performance and make appropriate demands on its suppliers. The Government Construction Clients Panel<sup>1</sup> (GCCP) Sustainability Action Group produced a sustainability action plan *Achieving Sustainability in Construction Procurement* in June 2000 which set out agreed actions and targets for Government under nine key themes:

- Re-use or new build.
- Design for minimum waste.
- Aim for lean construction.
- Minimise energy in construction and Use.
- Do not pollute.
- Preserve and enhance Biodiversity.
- Conserve Water resources.
- Respect for people.
- Set targets.

7.2 The important point noted by the Group is that a clear picture has been drawn of what Sustainability means in the context of Construction Procurement. *Achieving Sustainability in Construction Procurement* sets out sustainability objectives for construction procurement within the overall framework of value for money. The plan is also sufficiently flexible to accommodate incoming targets currently in development under the Framework for Sustainable Development on the Government Estate. There is no need to revise the action plan at present, the main task is to ensure that all construction and refurbishment projects follow the guidelines and that progress is measured and reported ie the approach is fully embedded. This may require the issue of further operational guidance especially for smaller and less regular construction clients. This is already recognised by OGC's Property and Construction Directorate. Embedding sustainability in

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<sup>1</sup> The work of the GCCP is now being taken forward by the OGC Property and Construction Panel

construction procurement will be high on the agenda of the next phase of the *Achieving Excellence* initiative.

7.3 There seems therefore to be little merit in introducing through this report another layer of proposed actions, targets or recommendations aimed specifically at Construction and which might confuse rather than help. We did however note an important area where some remedial action is necessary to ensure a consistent approach from Government on a high profile issue: timber.

#### Timber

7.4 Investigation of the purchase of timber for refurbishment of 22 Whitehall from sources which could not be verified to be sustainable and legal has revealed some problems relating to standards and specification which should be rectified as soon as possible.

7.5 Achieving BREEAM standards is an important part of the construction strategy. However, even an excellent rating may not cover all of the government's sustainability commitments. Specification of timber from sustainable and legal sources exceeds the requirements of the BREEAM excellent rating, which all new Government buildings are now required to meet.

7.6 Guidance in the National Building Specification (NBS) Government Works database used by the architects is also not compatible with the government commitment to seek sustainable sources of timber. **The Group recommends that standards and specifications tools in use in government construction are regularly reviewed for their compatibility with government environmental commitments.** Criteria to evaluate whether timber is from sustainable and legal sources are due to be submitted to Ministers shortly and once agreed the NBS tool should draw attention to them as well as the overarching commitment.

#### Recycled materials

7.7 Government construction projects have also been identified by WRAP in their submission to the Group as a key area for use of recycled materials. WRAP have made the following recommendations on targets for use of recycled materials in construction:

- For aggregates 10% by weight by 2003/4 rising to 20% by 2006/7
- All other materials at least 10% by value by 2003/4, rising to 25% by 2005/6.

7.8 We have drawn these and WRAP's input generally to the attention of those taking forward the Construction agenda and the Group recommends that these targets should be included and publicised through the Framework for Sustainable Development on the Government Estate, once further evidence to support the appropriateness and achievability of the targets has been provided.

**Recommendations on Construction**

**All Government construction projects should be required to take forward the Achieving Excellence agenda**

**Standards and specification tools used in public sector construction should be regularly reviewed for their compatibility with Government sustainable development commitments, particularly those in the Framework**

**Targets for use of recycled materials, initially aggregates, should be incorporated into the Estates and Property Management section of the Framework for Sustainable Development on the Government Estate**

**Sustainable Food Procurement**

7.9 In contrast with sustainable construction, food procurement has more recently come to the fore as an area where Government could do more to drive progress on sustainable development. The creation of Defra has opened up opportunities for new thinking on the social, economic and environmental impacts of food production and consumption and the recent publication of the Sustainable Food and Farming Strategy has set out the principles on which sustainable food procurement should be based (see box below).

7.10 The report of the Policy Commission on Farming and Food contained a specific recommendation that the Procurement Group should consider food sourcing and the public procurement rules (recommendation 100). This was based on their concern that “public procurement takes the impacts of food transportation into account and supports where it can the Government’s commitment to tackling Climate Change”. The *Organic Food Action Plan* published in July 2002 also contains a recommendation that public sector purchasing should support organic food. The SDC has highlighted the vast scale of NHS food procurement and provided some insights into some of its sustainable development impacts in relation to public health, small and local businesses, waste and energy use, particularly transportation (Annex E).

7.11 Largely because the whole picture on sustainable food has been developing over the last year, the Group has not investigated sustainable food in depth. The Group has however drawn a number of basic conclusions regarding the interaction between public food procurement and sustainable development objectives which should be useful as Defra and public food procurers develop priorities for sustainable public food procurement.

7.12 Sustainable public food procurement can only progress if there is a clear set of objectives for sustainable food production and consumption in the UK more generally. Otherwise there is a danger of focusing in too quickly on particular solutions without a clear idea of whether major impacts are being addressed. **Principles for a sustainable farming and food policy have recently been set out in the Government’s Strategy for Sustainable Farming and Food: Facing the Future, published on 12 December 2002. The Group has concluded that a sustainable approach to food procurement has to be closely linked to the objectives of that Strategy.**

**The Group understands that the principles are being developed further, including work to set out for procurement specialists the priorities for ensuring that public food procurement contributes to sustainable development objectives and the criteria to be applied to achieve them.** As part of this, the role that organic, farm assurance schemes, fairly traded and local foods, for example, are expected to play in delivering more sustainable food is being addressed.

### **The Strategy for Sustainable Farming and Food: Facing the Future**

Key principles for sustainable farming and food

- Produce **safe, healthy products** in response to market demands, and ensure that all consumers have access to nutritious food and to accurate information about food products
- Support the **viability and diversity of rural and urban** economies and communities
- Enable viable livelihoods to be made from **sustainable land management**, both through the market and through payments for public benefits
- Respect and operate within the **biological limits of natural resources** (especially soil, water and biodiversity).
- Achieve consistently high standards of **environmental performance** by **reducing energy consumption**, by minimising resource inputs and use **renewable energy** wherever possible.
- Ensure a safe and hygienic working environment and high social welfare and training for all employees involved in the food chain
- Achieve consistently high standards of **animal health and welfare**
- Sustain the resource available for growing food and supplying other public benefits over time, except where alternative land uses are essential to meet other needs of society

7.13 As well as setting out priorities at the policy level, a sustainable development approach also means analysing current practices for their impacts and seeking improvements. Many of the impacts of food procurement may be post-production, ie from transportation, processing, and consumption. Systematic analysis of food procurement practices is needed to identify major impacts from production and consumption.

7.14 NHS and the MOD are by far the largest public sector purchasers of food. Their procurement activities are likely to offer the greatest scope for public sector procurement to make a positive contribution to sustainable public food procurement and should be the focus of initial activity. Other departments may also be able to use their staff catering contracts to raise awareness of sustainable food issues amongst staff (once priorities and criteria are in place) although in terms of impacts this may be a lower priority than other aspects of their overall procurement activities. Defra is planning to



pilot a range of sustainable development issues in its own catering contracts and this should provide a useful small-scale test bed for other departments catering procurement.

7.15 It is not yet clear whether large numbers of smaller journeys have lower overall environmental impacts than national distribution systems for large scale public food procurement. However, under broader sustainability considerations the potential social and economic benefits of buying food locally also need to be considered. The principle to “support the viability and diversity of rural and urban economies and communities” in the Sustainable Food and Farming Strategy also points towards a role for local procurement in delivering overall sustainable food objectives.

7.16 The main issue to consider in public procurement is how objectives to support local food can be achieved within the public procurement rules. Under the fundamental principles of the EC treaty, to invite only local firms to tender to the exclusion of others would not be consistent with the principles of the free market. In addition, attempts to buy locally through the specification of breeds or varieties of products could also be considered discriminatory and restrictive to trade; in so far as they rule out other breeds or varieties that could meet the organisations’ requirements. With these constraints, it may be more productive to determine to what extent local and small suppliers have a real opportunity to compete for, and win, public sector contracts for food supply and catering. Defra has begun to take this forward in discussions with other departments to determine how public procurement can focus on sustainable products and ensure that English and all UK producers are fairly considered.

7.17 Reducing the environmental impacts attributable to delivery distances cannot be tackled directly under the EC procurement rules. As with specifying “local”, to do so would be discriminatory. The Group does not believe that changes to the procurement rules should be sought as there are wider policy issues on trade, globalisation and the environment associated with this issue which it believes must be addressed first. It should however be possible to consider whether current specifications, such as for out of season produce, are unnecessarily encouraging long distance transportation.

7.18 In contrast with transportation, specification of food production methods which reduce environmental impacts is permitted within the procurement rules. This could mean specifying organic produce, or other recognised standards of production which meet UK Government Sustainable Food Policy. Given the scale of NHS food procurement, and the limited availability of organic food, care needs to be taken not to distort markets in considering what commitments Government might make regarding procurement of organic food.

7.19 In contrast with the technology based aspects of green procurement such as specifying energy efficient products, understanding both of sustainable food and how to support it in public procurement is still developing. Further input from the SDC to the development of priorities for sustainable food would be worthwhile. The Strategy for Sustainable Farming and Food, and the proposed companion strategy for the food industry should also both help to set the agenda for sustainable food in the UK. Alongside a

clear Government commitment to sustainable procurement they should provide a starting point for the NHS and other major public sector food procurers to take action on their own food procurement.

**Recommendations on Food**

**Priorities for sustainability in the public procurement of food require further work to be developed and Defra should lead on this.**

**Major public sector purchasers of food, such as MOD, and the Department of Health (on behalf of the NHS) to analyse food procurement activities and prepare to address major impacts, in light of sustainable food priorities.**

**Sustainable food procurement in departmental catering contracts to be piloted by Defra**

## **8. Proposals for further work**

8.1 Embedding green procurement successfully across government has emerged as the main focus of the Group's recommendations. It has been relatively clear how to incorporate environmental issues into procurement, the main issue has been how to facilitate it and ensure it happens. In contrast, issues such as embedding social considerations in procurement and tackling innovation through public procurement have proved much more difficult. There are relatively few examples of good practice and the group has found that there is relatively poor understanding of how the public procurement process should work in support of these diverse issues. The main findings to date are outlined below as a starting point for further work.

### **Consideration of social issues in procurement**

8.2 Calls for government's to pursue sustainable rather than green procurement are increasing and have, during recent years, begun to put a spotlight on the social as well as environmental impacts of Government procurement activity. This is an emerging agenda and social issues in procurement are currently being considered on a case-by-case basis, depending on the lead Department. An understanding of the social impacts of procurement needs to be developed further within government so that the main social risks can be tackled, rather than responding to an NGO led agenda, which may not focus on key impacts.

8.3 Social impacts occur throughout the supply chain and in the delivery of works and services. Equal opportunities, local labour and the long-term unemployed, training and development, Health and safety of workers, pay, and rights to unionise are all issues which are commonly raised under social procurement. Procurement of works and services, particularly establishing common standards across Member States are seen as key areas for consideration of social issues. *The EC Interpretive Communication on the Community law applicable to public procurement and the possibilities for integrating social considerations into public procurement* issued in October 2001 outlined the scope for incorporating social considerations at each stage of the procurement process, and the sorts of social considerations which could be embedded.

8.4 The UK Government, European Commission and other Member States all agree that there is far less scope to incorporate social issues in public procurement than is the case with environmental issues. The proposed new EC procurement directive makes that clear. This is because environmental issues tend to relate to what is being procured – eg green specifications, production processes, energy efficiency and recyclability – whereas many social issues do not. They relate, instead, to how a company treats or manages its own workforce. Of course, where a social issue is relevant to the subject of the contract and does not undermine value for money, it can be taken into account. For example, a requirement for specific staff training may contribute to delivery of a good quality service but general working conditions at a factory where goods are produced may not.

8.5 A further angle to social procurement is the extent to which it supports and encourages social enterprise. Many of the goals of social enterprise chime in with the Government's Social enterprise strategy published in July 2002. The Strategy highlights examples of where social enterprise has already provided a solution in provision of local care and leisure services, but indicates that generally there may still be barriers to social enterprises in competing for Government contracts. It is important that Government procurement processes do not inadvertently discriminate against social enterprise. Social enterprises may share much in common with small businesses in that they may not be aware of tendering processes and may be deterred from competing for contracts. Training for buyers on social enterprises and awareness raising with social enterprises on competing for contracts, perhaps alongside SMEs, should help to break down those barriers.

8.6 Before further progress can be made in the area of social issues in public procurement, albeit in a more limited way than is the case with environmental issues, there needs to be a clarification of the links between CSR and trade policies and Government's own procurement activity. The Government's policy on CSR is that it should be voluntary and business led. However, this leaves a gap regarding the application of CSR to its own procurement. UK trade policy regarding child labour and working conditions in developing countries does not advocate banning products from countries known to operate poor working conditions. Therefore it is not possible to do so through government procurement.

8.7 Social procurement is an issue which is developing an increasingly high profile and, despite the difficulties in reconciling CSR, trade and procurement policy the Government needs to understand its impacts, and develop a clear position on its own procurement activity. High risk areas in relation to social impacts should be identified and a strategy for addressing supply chain issues, where this is compatible with the EC directives and value for money policy should be developed in the medium term. Without such an approach the UK Government will not be able claim any real progress towards sustainable rather than green procurement.

8.8 OGC, in consultation with DFID is preparing guidance on ethical trading in public procurement. This would be incorporated into more general guidance on social issues in procurement associated with the revised joint note. In the long term there also needs to be a wider recognition that a sustainable approach to procurement is ideally about seeking integration of social, economic and environmental concerns, rather than simply considering them separately.

### Recommendations

- further investigation of key social impacts of how relevant social issues can be appropriately reflected in public procurement should be carried out by OGC in consultation with other departments, with the aim of submitting recommendations by late 2003 and issuing guidance shortly thereafter.
- Subsequently, all Departments should be asked to conduct a risk assessment to review their social impacts from procurement and help establish the key social impacts from procurement across Government. Suppliers' compliance with health and safety law should be one of the considerations.
- CIPS should incorporate supporting social enterprises into training on sustainable procurement.

### Innovation

8.9 Public procurement is frequently identified as one of the key ways in which government can support development of new green technologies. The scale of Government procurement means that it has considerable potential to send signals to the market, if it can be harnessed consistently. This is particularly important in innovation, as Government can provide a reliable market and encourage new investment, product development and competition. Conversely, if Government does not act in this way, it sends a negative message to suppliers of clean technologies and services.

8.10 Understanding of how best practice can become embedded in public procurement process is now developing, but how to stimulate the leading edge of innovation through public procurement remains a challenging issue

8.11 There are three main ways in which procurement can create a requirement for innovation: weighting environmental criteria (provided this is relevant to the contract), mandating existing best practice, and inviting manufacturers to provide new products which go beyond existing good practice.

### Stimulating Innovation

*Procuring Best Practice:* By demanding products and outcomes that are above minimum standards or go beyond typical good practice, major buyers such as government can help pull the supply base towards higher norms. For example Government departments on Australia and Switzerland only purchase appliances with top quartile performance on energy efficiency

*Specifying beyond best practice:* Major buyers can invite suppliers to develop products with performance specifications that exceed those of current products, with the incentive of a large new market

*Weighting environmental criteria* Increasing the weighting given to environmental criteria in the procurement process may be a useful supplementary mechanism to support innovation. It would send a signal to suppliers and encourage innovative solutions to come forward, reducing the reliance on government knowledge or prescription

8.12 As this report has shown, there is only patchy evidence that buyers are currently incorporating even the most basic green specifications into their procurement activities. The Group believes that the focus should be on getting widespread procurement on the basis of best practice before attempting more sophisticated approaches. The Carbon Trust believe that the volume of government procurement would in any case stimulate innovation and drive the market forward simply by moving to the widespread purchase of best practice products already on the market. However, it is essential to have expert support in identifying what constitutes best practice and to update this assessment regularly (see recommendations for website, Chapter 6)

8.13 A great deal of work still needs to be done to support and stimulate procurement of existing good and best practice products. Plans for this are the main focus of the recommendations in this report. Further long term work will be needed if government procurement is to be developed to support specification beyond best practice. The Carbon Trust has indicated that it is willing to provide further input to the Sustainable Procurement Group on innovation issues.

#### **Recommendations on Innovation**

**Initial views are that the following would need to be developed:**

- **A list of technologies suitable for targeted support through public procurement.**
- **Targets for specific types of procurement (such as the use of recycled paper as standard) applying to all departments to stimulate activity across the Estate**
- **Non-prescriptive performance specifications that go beyond best practice, and specify outcomes rather than products.**
- **Knowledge and leadership to support public sector organisations in identifying opportunities and embedding innovation in the procurement process**
- **Incentives for the public sector to take risks on innovative products or services.**

**It is recommended that the Sustainable Procurement Group should focus on these issues over the next year**

8.14 There are a number of other issues that the Group has not had time to consider fully, but which would be worth further exploration as part of follow up work by SPG:

8.15 There seem to be few incentives for departments to carry out sustainable procurement and some anecdotal evidence that budgetary and accounting practices may militate against purchase of more sustainable products. For example, investment in energy efficient products may not be seen as worthwhile if the reduced energy costs do not provide any clear benefit to the budget holder. A review of budgetary and accounting procedures would be worthwhile, with a view

to ensuring that accounting systems encourage sustainable development approaches rather than work against them.

8.16 The Group would ideally like to see sustainable public procurement requirements extend to programme expenditure. This would significantly increase the coverage of procurement commitments, but should probably not be tackled until high level commitments and guidance are established.

**The Group recommends that accounting and programme expenditure issues and their potential to support sustainable development are considered further with relevant HMT and NAO officials.**





## **9. Taking the recommendations forward**

9.1 If the thrust of the recommendations in this report are accepted by Ministers, the following should be an immediate priority:

- A public statement, by a senior Minister committing the UK Government to sustainable procurement and announcing “quick wins” by early 2003.
- Revision and reissue of the OGC/Defrajoint note on environmental issues in purchasing by Spring 2003
- Development of a sustainable products website for launch by Autumn 2003

9.2 The Group regards all of above as pre- requisites for successfully taking forward all other recommendations and establishing a workable commitment to sustainable procurement across Government

9.3 The knowledge base and support for purchasers (delivered by the on-line web-site) cannot be developed within current levels of administrative and programme provision for this type of work. So there is a new demand for resources here, which would of course be an ongoing commitment. The costs could build up to around £2 million per year, covering both the necessary market analysis and the presentation of it to buyers in a readily usable form. However, this investment to improve the procurement process is extremely small when set against the total value of Government procurement budgets. For example, even marginal improvements in the whole-life cost of purchases would massively outweigh the investment. And the wider contribution to delivery of the Government’s sustainable development objectives would be even greater.

9.4 Much of what has been recommended is actually a refocusing of what Departments are already committed to in procurement (eg supplier management, value for money) but involves introducing a new, environmental, dimension. Defra, OGC and OGCbs will have a continuing important role in ensuring that departments know how to take forward a commitment to sustainable procurement, and need to be resourced to do so.

9.5 Initial recommendations are not for individual departments, but they will ultimately need to take ownership of them. Champions for sustainable procurement will be needed in every department, at Ministerial and senior official level. Budget holders in particular must be engaged, so that there is no conflict between high level commitments and the actions individual buyers are expected to take.

9.6 ENV(G) should take forward the sustainable procurement recommendations into commitments for all departments via the Framework for Sustainable Development on the Government Estate. The procurement section should be published by July 2003.

9.7 The Sustainable Procurement Group should continue for a further year with emphasis on social issues and innovation in public procurement. It should report again to Ministers by July 2003.

9.8 The Government's Sustainable Development Unit plans to continue its focus on procurement for another year, including to monitor progress on recommendations in this report, continue as Secretariat for SPG and to develop the procurement section of the Framework. However, in the longer term, as sustainable development becomes mainstreamed in procurement activity, SDU will look to reduce its role.

### **Measuring and reporting**

9.9 A mechanism is needed to ensure that all departments take sustainable procurement seriously, that progress against new and existing commitments on sustainable procurement is monitored and reported publicly so that external audiences can see progress is being made. Current green procurement commitments have been monitored to date through the Greening Government Reports. This has put more information in the public domain, but data collection on procurement commitments remains weak. Finding meaningful ways to monitor sustainable procurement in the devolved world of public purchasing which do not overburden departments will be a challenge.

**9.10 The Procurement section of the Framework for Sustainable Development on the Government Estate should be a vehicle for setting out new targets for Government Procurement in central government, and measuring progress.** ENV(G) has responsibility for agreeing and monitoring targets under the Framework and proposals should be put to them. The development of the Framework also offers an opportunity to revisit current monitoring of procurement and develop new approaches. The overarching aim of the Framework is to increase ownership of sustainable development by all departments. It includes requirements for individual departments to report publicly on their plans and progress in delivering all targets set out under the Framework. It also puts a high priority on environmental management systems, which should also support sustainable procurement.

9.11 Clear success criteria and monitoring arrangements to ensure green procurement is being carried out across the board will need to be developed. Electronic compilation of purchasing data by OGCbs may eventually help to monitor progress across government, but centralised monitoring of all green purchasing by government is unlikely to be feasible. Alongside Government's own reports against the Framework, the EAC will ultimately have an important role to play in assessing whether all departments are living up to sustainable procurement commitments.

## **10. Conclusions**

10.1 The Group believes that there is a strong case for sustainable Government procurement. A low carbon approach to purchasing can save money and development of accessible tools and information should lead to better informed procurement. Both of these activities should contribute to the better procurement agenda. The sheer scale of government procurement also means that it has the power to make a significant direct contribution to progress on sustainable development as measured by the headline indicators of sustainable development, and to send strong signals to the market.

10.2 Conversely, there are reputational risks and other costs which government will have to bear if it does not purchase more sustainable goods, works and services. It may contribute unnecessarily to environmental problems that it will ultimately have to develop policies to deal with. Government may have more limited ability to persuade businesses to voluntarily improve their environmental and social performance. Increasing amounts of staff time may have to be devoted to defending or investigating purchases identified by NGOs as having negative impacts. There are therefore strong arguments in favour of utilising procurement as one mechanism to support government sustainable development policy.

10.2 The scope to buy green within the procurement rules already exists, there is no need for changes to the law. However, UK government commitment to Green Procurement is weak and perceived conflicts between buying green and obtaining value for money are prevalent across the procurement community. There needs to be a comprehensive programme of action to generate commitment to green procurement across Government, starting with a revised joint statement from the lead departments on sustainable development and procurement policy, Defra and HMT. The group believes that mandating purchase of “quick win” products will be worthwhile, but are not the whole solution. Any requirements will need to be backed up with tools, including a sustainable products website, to enable buyers to purchase green products with confidence.

10.3 A systematic approach to sustainable procurement by all departments is also needed. This should be based on risk assessment to ensure that all departments tackle their most significant sustainable procurement impacts, not just the most high profile. The Framework for Sustainable Development on the Government Estate is an appropriate vehicle with which to take this forward, and ensure monitoring of progress

10.4 Green Procurement is, for the reasons outlined, more advanced than social procurement in both policy and practice. The Group recommends that further work should be done to further understanding of social issues in procurement and the UK Government’s position. Similarly, innovation in is another area where considerable further work is needed to determine the most effective ways of supporting it through public procurement. Accounting procedures have strong links to procurement processes and decision making and should be a further area for consideration.

10.5 Finally, the Group has concluded that better procurement practice across the board is necessary to support sustainable procurement. Departments must continue to focus on improving their purchasing performance and delivering value for money in line with OGC best practice guidance. This is an important prerequisite for delivering sustainable procurement.