

**SCRUTINY COMMISSION – 19 DECEMBER 2007****FINAL REPORT OF THE SCRUTINY REVIEW PANEL ON THE  
COUNTY COUNCIL'S ENVIRONMENT POLICIES AND  
PROGRAMMES****PROCUREMENT AND THE ENVIRONMENT****Purpose**

1. The purpose of this report is to outline the recommendations arising from the first block of work on 'Procurement and the Environment', undertaken by the Scrutiny Review Panel established to consider the County Council's environment policies and programmes.

**Membership of the Panel**

2. The following members were appointed to serve on the Panel:-

Dr. S. Hill CC	Mr J S Moore CC
Mrs M. L. Sherwin CC	Mr David Snartt CC
Mr Neville Stork CC	

Mrs Sherwin was appointed as Chairman of the Panel.

**Background to the Review and Terms of Reference**

3. At the beginning of 2007, the Scrutiny Review Panel on Energy reported its findings which sought to assist the County Council in reducing its energy usage and its carbon emissions. During this time the County Council, on an all-party basis, signed the Nottingham Declaration on Climate Change pledging to work to reduce carbon emissions to help tackle climate change.
4. The Scrutiny Commission in considering how best to contribute to the Council's commitments at its meeting held on 28 February 2007 resolved that this Review Panel should be convened 'to consider the Council's current and planned response to the Environment agenda with a view to identifying the key areas of County Council activity that can be investigated further so as to deliver the Council's commitments to the environment and climate change.'

## **Conduct of the Review to Date**

5. The Scrutiny Review Panel has so far met on three occasions between July and November 2007. It was decided that given the scale of the Environment Agenda the work of the Panel would be divided into the following priority areas:-
  - i) Environmental Procurement;
  - ii) Environmental Leadership;
  - iii) Climate Change issues for the County Council;
  - iv) County Hall Waste Audit Action Plan; and
  - v) Biodiversity and Water.
6. The Panel decided that waiting for the full programme to be completed would result in unnecessary delays and could result in missing the opportunity to influence the emerging Sustainable Community Strategy and the negotiation on the Second Local Area Agreement. This report therefore presents the Panel's findings on its first block of work, Environmental Procurement.

## **Environmental Procurement**

### **Current position**

7. In the 2005 Sustainable Development Strategy, the UK Government stated its goal to be amongst the leaders in the EU on sustainable procurement by 2009. To deliver this target the Sustainable Procurement Task Force (SPTF), was set up under the direction of Sir Neville Simms. The National Action Plan: 'Procuring the Future', delivered its findings and recommendations in June 2006. The Task Force has developed a flexible framework to provide a consistent approach for sustainable procurement in public sector organisations. The framework includes five levels of achievement from Level 1 (Foundation) to Level 5 (Lead) in five categories (see appendix A). Leicestershire County Council is currently in Level 1 of every category with work outstanding to meet the criteria fully in some.
8. The County Council's approved Environment Strategy states that "Leicestershire County Council is committed to ensuring purchasing decisions are mindful of sustainability and environmental impacts" and to "Lead the community by demonstrating and promoting environmental good practice". This commitment is reflected in the Corporate Procurement Strategy which includes a Procurement Principle to promote sustainability as well as future plans/actions to develop a more consistent and co-ordinated approach to procurement , including that of environmental procurement.

9. The draft Sustainable Community Strategy (which at the time of writing was out for public consultation) highlights in its vision for 2026 the need for “a full contribution to a sustainable future for the world”. It also refers to the need for any “major new development for all public buildings to achieve the highest environmental standards” and for “ensuring that any investment and development isn’t at the expense of the environment in the long term”.

#### Consideration of Environmental Procurement Issues

10. The Panel met to consider Environmental Procurement issues on 14<sup>th</sup> September and received presentations from Fiona Holbourn (Head of Corporate Procurement); and Ken May (Director of the Eastern Shires Purchasing Authority (ESPO)) of which the County Council is a member.
11. Fiona Holbourn’s presentation set out the strategic context for purchasing by the County Council, which covered £193 Million in 2005/06. Care services, construction and transport were the largest categories of spend within this amount. It was noted that of the 20,000 suppliers to the County Council, the top 10 supplied goods and services worth £48.2 Million and the top 57 accounted for £109 Million.
12. Examples of current good environmental procurement practice already include:
  - i) taking into account the environmental credentials of construction suppliers, such as ISO 14001 accreditation<sup>1</sup> and their past experience in dealing with environmental problems;
  - ii) using local suppliers and subcontractors to minimise travel and transport costs;
  - iii) specifying the use of recycled materials in construction contracts to minimise waste;
  - iv) purchasing ‘green’ electricity, e.g. for street lighting and County Hall;
  - v) Building Research Establishment Environmental Assessment Method (BREEAM) for new schools;
  - vi) redistributing and recycling equipment, e.g. PCs;
  - vii) specifying vehicles which meet European emission standards to minimise environmental pollution.

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<sup>1</sup> ISO 14001 is an internationally accepted standard that sets out how you can go about putting in place an effective Environmental Management System. The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact.

13. Although the County Council has demonstrated some good practices in eco-procurement, these have often been down to the commitment of individual members of staff. Similarly, there is inconsistency in purchasing practice and in the approach to environmental standards due to the absence of a Corporate Environmental Purchasing Policy.
14. Other issues affecting current practice are:
- i) Impact of EU Directives and other legislation, particularly on the requirement to allow national and European suppliers and contractors to tender for County Council contracts;
  - ii) Cost pressures (in particular reconciling higher capital investment to reduce revenue costs);
  - iii) Complexity of assessing and attributing lifecycle costs to products;
  - iv) Availability of 'green' products in the marketplace, e.g. 'green' electricity
  - v) Limited management information available to track environmental procurement performance ;
  - vi) Supplier certification offered no guarantee of clean efficient practice that caused no harm to the environment.
15. There are a number of future plans/actions set out in the Corporate Procurement Strategy to address each of the above issues; Category management has been introduced to maximise the control and co-ordination of procurement spend. This involves grouping the Council's buying activity into categories of related products and services. For each procurement category, a single procurement contact has been established, known as a Category Manager.
16. Their establishment will in turn enable the Council to improve its environmental performance and also produce efficiencies as decisions about what products and services are bought, which suppliers are used or what contracts are entered into, are made on a category by category basis.
17. Other planned actions include:-
- i) Completing the current roll-out of a council-wide electronic ordering system to allow greater control over who staff buy from;
  - ii) Completing an environmental review of purchasing activity to identify environmental risks;
  - iii) Developing an environmental purchasing policy and staff guidance; and

iv) Working with suppliers to improve their environmental performance.

18. Ken May's presentation set out the position of ESPO, its structure and status as a Professional Buying Organisation (PBO) responsible for some £400 Million of purchases per annum across its consortium area. He set out the context for sustainable purchasing including:

- i) Sir Nevil Simms' Report commissioned by Central Government and the local authority responses thereto;
- ii) the EU Directive on Energy End Use Efficiency and Energy Services to be implemented by May 2008 and requiring public sector energy savings target of 9% by 2017; and
- iii) the key lines of enquiry now incorporated into the CPA process on sustainability.

19. He clarified that ESPO has no independent sustainability policy, instead ensuring that it delivers products and services as required by the policies of Member Authorities. Proactive measures that ESPO has taken in concert with its Member Authorities include the following:

- i) Being the first PBO to carry out an EU compliant procurement initiative across key commodity groups which has led to a Sustainable Products and Services Catalogue being launched during autumn 2007;
- ii) Member Authority's use of non-environmentally friendly products is measured, although it is recognised that the quality of this data needs to be improved in order for reliable performance indicators to be measured against it;
- iii) 'Green' electricity is purchased where possible. Leicestershire County Council's street lighting and large megawatt sites including County Hall are already on 'green' electricity;
- iv) Bio fuel contracts are in place for vehicles at a level of 5% of petrol in compliance with manufacturers' warranties. However it is reported that scientific testing has shown as much as 30% bio fuel could be used in vehicles without being detrimental to performance and discussions are in hand with manufacturers to seek agreement to a percentage increase of bio-fuels to be used in the near future following trials. Any change in fuel type will of course need to be considered in respect of air quality, as provided by Statute;
- v) An Environmental (Member Authority) Working Group has been established to discuss best practice;
- vi) An Environmental Management Performance Solution (EMAPS) is now used in making purchasing decisions, for example to

standardise its requirements of manufacture of furniture, fixtures and fittings, and to standardise its supply source to one supplier. This now enables ESPO to exert leverage with the supplier and request environmentally friendly materials and methods of manufacture including both product and packaging;

vii) A leading sustainable development consultancy, 'Global to Local', has been appointed to improve sustainability in the supply chain.

20. Questioning of the speakers was constructive and focused on the following areas:

- i) The need for accurate baseline figures for CO<sub>2</sub> emissions in order that key performance indicators and targets can be developed to meet national and international targets over coming years;
- ii) Communication of accurate green purchasing figures to aid this requirement;
- iii) How environmental purchasing can best be embedded in the procurement process;
- iv) How the Authority can champion the procurement of recyclable goods and a reduction in packaging and waste by local businesses and autonomous schools by using its purchasing power to lead by example and publicise its work in this area;
- v) The point at which support to local traders falls foul of Anti Competitive Practices legislation;
- vi) Purchasing of vehicles with lower carbon impacts and greater use of video conferencing to reduce the need for vehicle journeys;

## **Conclusions**

21. The Panel concluded that the Procurement Strategy should reflect objectives within the emerging Sustainable Community Strategy and the Environment Strategy on environmental protection and waste reduction. The County Council's current position on procurement can be summarised as follows:

- i) Ad hoc purchasing decisions have been taken which support these environment policies but specific environmental procurement policy and guidance is scheduled for completion by March 2008;
- ii) An assessment to identify areas of significant environmental risk in our procurement activity is planned for completion by March 2008. This will include prioritising action in areas of greatest environmental risk.

- iii) Many local authorities now have an Environmental Purchasing Policy and Guidance which the Council is still in the process of developing;
- iv) Staff need support to incorporate environmental considerations into purchasing decisions whilst complying with EU legislation;
- v) Existing commitments in the Environment Strategy Action Plan and Corporate Procurement Strategy to develop an environmental auditing tool to assess risks in contracts, complete an environmental review of Council's activities, products and services, and to develop Environmental Procurement Policy and Guidance need to be implemented.

### **The Way Forward**

22. It should be noted that the breadth of the definition of sustainable procurement<sup>2</sup>, as developed by the Sustainable Procurement Task Force, goes well beyond the area of work of environmental procurement currently being considered by this Scrutiny Review Panel.
23. Nonetheless the definition, incorporating other ethical dimensions such as the Third Sector, Small and Medium Enterprise (SME) and equality and diversity issues as well as environment is commended for consideration through the development of the Procurement Strategy. This will be very important if the Authority aims to meet the Local Government Association's recommendation that every authority reach Level 3 of the Flexible Framework by 2009.
24. The Panel having considered the information presented to it recommend the Scrutiny Commission to agree the following Action Plan for submission to the Cabinet as the appropriate way forward for the Authority in addressing Environmental Purchasing priorities:-

<b>Action</b>	<b>Deadline</b>
Achieve the planned environmental review of the Council's activities, products and services to identify significant risks and impacts.	March 2008
Deliver the planned Environmental Purchasing Policy and Guidance to give priority to significant risks identified and guide staff purchasing decisions.	March 2008 (draft for consultation)
Provide training and promotion initially to key procurement staff and then all procurement staff of the Environmental Purchasing Policy and Guidance.	September 2008

<sup>2</sup> Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.

Develop an environmental audit tool to identify contracts with significant environmental risks.	September 2008
Investigate and select methods to assess whole life costs for contracts with significant risks.	March 2009
Develop performance indicators to monitor our environmental procurement	March 2009
Undertake the planned work with our key suppliers to help them improve their environmental performance	September 2009

25. The Panel further recommends the Scrutiny Commission receive a report prior to each of the above deadlines in order to satisfy itself that commitments in the Action Plan are being met.

Mrs. M. L. Sherwin  
Chairman of the Review Panel

### **Resource implications**

It is envisaged that any additional costs can be met from existing budgets. There is a significant requirement to make efficiency savings required by the Comprehensive Spending Review. The intention is that improved procurement will make a significant contribution to the savings requirement.

### **Equal Opportunities Implications**

None

### **Background Papers**

UK Sustainable Development Strategy, 2005;  
Sustainable Procurement Task Force National Action Plan: 'Procuring the Future', June 2006;  
Leicestershire County Council Environment Strategy, 2004;  
Corporate Procurement Strategy to 2009  
Draft Sustainable Community Strategy for Leicestershire, 2008-13.

### **Circulation under the Sensitive Issues Procedure**

None