

## ITEM NO: 16

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	SUSTAINABLE PROCUREMENT POLICY		
<b>DATE OF DECISION:</b>	5 JULY 2010		
<b>REPORT OF:</b>	CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT AND CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING		
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<b>STATEMENT OF CONFIDENTIALITY</b>			
Not applicable.			

### SUMMARY

This report seeks approval to adopt a Sustainable Procurement Policy to enable the Council to have a more robust approach to the sustainable procurement of goods and services. The Policy (Appendix 1) outlines how the Council will meet its needs for goods, services, works and utilities in a way that achieves value for money and ensures benefits to the economy and society whilst minimizing damage to the environment. A Resource Plan (Appendix 2) shows how specific targets in the policy will be achieved.

### RECOMMENDATIONS:

Having had regard to s.2 Local Government Act 2000 and the provisions of the Community Strategy:

- (i) To approve the Sustainable Procurement Policy, as set out in Appendix 1, as a framework within which to take forward future procurement activities across the Council.
- (ii) To endorse the Sustainable Procurement Resource Plan (attached as Appendix 2) to achieve Level 2 of the UK Flexible Framework by April 2011, following a review, progress to Level 3 by April 2012 should there be no net financial implication.
- (iii) To approve the Employment and Skills Statement, as set out in Appendix 4, to communicate to Council suppliers how they can provide additional skills and learning benefits for the community through their contracts.
- (iv) To delegate authority to the Head of Policy and Performance (Environment) to make any minor changes to the policy and Resource plan following consultation with the Cabinet Member for Environment

### REASONS FOR REPORT RECOMMENDATIONS

1. To provide a clear policy direction on sustainable procurement across the Council and enable us to be in a good position to influence partners and the supply chain.
2. To agree a series of achievable and measureable actions to ensure the

Council reaches a good practice level of sustainable procurement.

3. To approve the Employment and Skills Statement to ensure service providers and suppliers provide additional social and economic benefits to maximise community gain through their contracts.

## **CONSULTATION**

4. A draft of this Cabinet report with the policy and resources plan has been taken to Chief Officer Management Team, Policy Co-ordinators and Resources and Environment and Transport Cabinet Member Briefings for discussion.
5. A number of key officers with expertise in procurement and commissioning from across each Directorate have been involved in the development of the policy and action plan.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

6. To continue an ad hoc approach to sustainable procurement activities across the Council relying on one small team and other committed individuals to initiate and implement changes to current practice. This would result in missed opportunities to improve performance in a number of key areas and a lack of consistency in policy direction and service delivery.

## **DETAIL**

### **Background and current position**

7. Sustainable procurement is a key mechanism through which local authorities can address social, economic and environmental objectives. Sustainable procurement can deliver benefits to the local community such as,
  - increasing local employment opportunities
  - putting money back into the local economy
  - making the city a better place to live and work through increased opportunities, markets and skills
  - reducing carbon emissions from council activities
  - delivering efficiencies
  - managing risk and reputation
8. The Council currently spends approximately £219m per annum on externally sourced goods, services and works. Approximately 60-65% of spend is on contracts or tenders over £100,000 which triggers robust management controls. All spend under £100,000 is directly managed by the Directorates. Currently there is little direct central influence over the less than £100,000 procurements other than the Council's Contract Procedure Rules. There are a number of implications associated with this fragmented spend approach which include trading with a huge amount of suppliers, significant process costs, limited ability to influence and lost saving opportunities. Furthermore, there are also a number of public sector procurement specific requirements highlighted within 'The Coalition: our programme for government' document that will be difficult to meet in a decentralised model of procurement. Due to this fragmented approach the Council is not achieving the optimum balance between the need for information, control and process efficiency, and

opportunities to achieve economic, social and environmental outcomes are often lost. The Council is therefore progressing, as part of its wider approach to procurement, the implementation of a centrally administered purchasing model ('Purchase to Pay'), combined with options for cost effective enhancements to the Councils Financial System (Agresso) which will increase the systems procure to pay capabilities.

9. In the 2009 CAA Use of Resources Assessment, sustainable procurement was identified as an area for improvement for the Council. Activities have since progressed to develop a clear policy and action plan. It is recommended that Cabinet approve the adoption of the Sustainable Procurement Policy (Appendix 1).
10. The Council adopted a Procurement Strategy in 2009, which committed the council to further developing the sustainability elements of the strategy. The adoption of this policy and action plan will help us to deliver against this commitment as well as our aspirations set out in the Council's Sustainability Principles.
11. Sustainable procurement is currently an area of real interest for other public and private sector bodies, such as the PCT and Universities, and their combined purchasing power is significant. The City Council is well placed to drive this agenda forward through working with the Southampton Partnership to potentially deliver considerable savings through joint commissioning and procurement. There is also an opportunity to make public sector procurement processes in Southampton more open for SMEs and the voluntary sector.
12. The Council has already achieved some significant sustainable procurement outcomes on key council contracts, for example:
  - City Depot** - 4 apprentices secured; BREEAM Very Good; commitment to invite local contractors to quote for the work packages
  - Stationary contract** - Price matching available for green products to offer at same price as standard products
  - SCC Academy Regeneration Commitments** -12 new Apprenticeships created; 40 new work experience placements with Carillion supply chain; both Academies will be Carbon Neutral, featuring a range of renewable energy solutions including Solar PV, Bio-fuel and ground source heating; working with third sector local organisations (e.g. recycling/reuse of redundant school furniture and reuse of redundant paint pallets) - these commitments come at zero cost to the Council for the life of the project and all achieved through one question in the tender documentation.
  - Street Lighting PFI** – installing a remote monitoring system to enable the council to control the lights and reduce carbon emissions – the first of its kind in Europe
  - Leisure Centre contract** - Includes carbon emission reduction targetsAdopting this policy and resource plan will enable the council to ensure good practice is applied consistently across all procurement activity.
  - Fairtrade** – City Catering refreshments include Fairtrade tea, coffee and sugar as standard and opportunities for sourcing of other ethical products are sought on a continual basis

### **Activities to date**

13. The policy development has been underpinned by a number of activities over the past year, which include:
- A sustainable procurement workshop held in November 2009 to involve council officers in developing a sustainable approach to procurement.
  - The establishment of a sustainable procurement project board, the members of which include the Head of Policy and Performance (Environment), the Assistant Chief Executive (Economic Development & Regeneration), the Head of Property and Procurement, and other representatives from the Sustainability Team and the Children's Services & Learning Directorate.
  - A review of the Council's procurement expenditure and key suppliers
  - A sustainable procurement prioritisation exercise to identify high and medium risk areas of procurement activity (in terms of their impact on sustainability objectives) within each of the council's top spend categories.

### **Priorities**

14. The sustainable procurement prioritisation exercise (Appendix 3) was undertaken as a quick assessment to identify high, medium and low impact areas of procurement spend against our Sustainability Principles. From this exercise the following priority areas of work have been identified:
- Work with high impact service areas where there is the greatest room for improvement (see Appendix 3 for further details)
  - Address the procurement process for contracts over £100,000 to better deliver sustainable outcomes
  - Work in partnership through the Southampton Partnership Delivery Board to look across public sector procurement and identify areas of opportunity for joint procurement, commissioning and saving money
  - In the longer term address the procurement process for contracts, goods and services under £100,000 and work with medium impact service areas
  - Influence the supply chain to open up the process for SMEs and the voluntary sector and seek to promote a culture of Corporate Social Responsibility with our suppliers

### **Policy and targets**

15. The UK Sustainable Procurement Action Plan introduced the Flexible Framework as a tool for public sector organisations to measure their progress in making sustainable procurement happen. The Flexible Framework is divided into five levels;
- Level 1            Foundation
  - Level 2            Embed
  - Level 3            Practice
  - Level 4            Enhance

- Level 5      Lead

16. A self assessment against the Flexible Framework (see Appendix 1 of the Sustainable Procurement Policy) shows that the Council is currently at Level 1, with Level 2 achieved in some areas. A Sustainable Procurement Resource Plan has been developed (see Appendix 2) to set out priority areas of work within the council, and align these to the attainment of various Levels against the Flexible Framework. The recommendation to Cabinet is to endorse the Sustainable Procurement Resource Plan and work towards achieving Level 2 of the Flexible Framework by April 2011. A review would then be undertaken to assess progress and review the outcomes of the 'Purchase to Pay' efficiency review (aimed at delivering improvements and tighter controls to managing spend under £100,000) to assess whether it is cost effective to move to Level 3 of the flexible framework.

**Management arrangements**

17. The Sustainable Procurement Policy and Resource Plan implementation will be managed as a PM Connect project. This will ensure a robust monitoring process is applied to the roll out of actions. The Assistant Chief Executive (Economic Development & Regeneration) will be the project sponsor and the Head of Property and Procurement the project manager.

18. An expert working group with representation from all Directorates will be set up. The group will be responsible for developing a Sustainable Procurement Toolkit to put the policy into practice through our contracts and commissioning process.

**Engaging staff and partners**

19. A staff training programme will be required to embed the principles and practice of sustainable procurement across the organisation. Training will initially be targeted at procurement staff and Council managers with procurement responsibilities. This training will form part of the Management Academy programme.

20. The project board will work with the Southampton Partnership Delivery Board to agree a joint approach to sustainable procurement, sharing good practice and looking at joint opportunities to achieve efficiencies and savings.

**Employment and Skills Statement**

21. The Employment and Skills Statement (Appendix 4) describes the requirements and commitment the Council will require from suppliers for goods and services to support its priority to improve the employability and skills for residents in Southampton. It has been prepared following legal advice to ensure the robustness of our systems and pulls together the various aspirations and targets as set out in some of the councils other policies and plans such as the City of Southampton Strategy and the Children and Young People's plan.

Service providers and suppliers will be required to contribute towards positive social and economic benefits linked to procurement of contracts, including targeted employment and skills opportunities. This builds on the significant impact the Council has achieved using its Section 106 planning

powers.

These contributions will include activities that complement and benefit the local labour market and economy by raising skills and enabling local people to compete for jobs, with a focus on priority groups such as young people not in education, employment or training (NEET), disadvantaged adults and residents in priority neighbourhoods. Activities will include new Apprenticeships, adult vocational training opportunities, work and diploma placements, and education business partnerships with schools and colleges. The Employment and Skills Statement (Appendix 4) sets out the local economic circumstances and the rationale for seeking contributions and is recommended for adoption by Cabinet.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

22. None

### **Revenue**

23. A resource plan is included in Appendix 2. This identifies the cost associated with achieving each level of the Flexible Framework. Level 2 is cost neutral and can be reached utilising existing resources.

24. To achieve Level 3 or above, resources will be required. A review will be undertaken by April 2011 to assess progress against Level 2 and what the cost implications will be to progress to Level 3 and recommendations, such as invest to save, will be made on the way to proceed.

### **Property**

25. None

### **Other**

26. None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

27. S.2 Local Government Act 2000 permits the Council to do anything likely to improve the economic, social or environmental well being of its area provided it first has regard to the provisions of the community Strategy. The proposals in this report are consistent with and supported by the Community Strategy and are considered likely to improve both the economic and environmental well being of the area.

### **Other Legal Implications:**

28. All procurements entered into by the Council are made pursuant to powers contained within s.111 Local Government Act 1972 and / or s.1 Local Government (Contracts) Act 1997. Procurements must comply with National and EU procurement law, including the National Procurement Strategy and the Public Contracts Regulations 2006 together with associated case law. In order to remain compliant with public procurement law, sustainability issues need to be objectively justifiable as part of the solution being sought and not have a non-discriminatory effect on bidders and their proposed solutions. So,

for example, it is not appropriate or possible to require 'localness' per se or to require certain numbers of types of persons (such as apprentices) in a bidder's workforce. Conversely though bidders can be encouraged to accommodate [the Council's] aspirations in terms of sustainability albeit that such particular aspect of a bid may not be something which is evaluated to the effect of determining a winning bidder. Accordingly, it will be necessary for the application of the sustainable procurement policy in [the Council's] procurements themselves to be monitored going forward to ensure that it is being used and applied in an appropriate and legally compliant way.

**POLICY FRAMEWORK IMPLICATIONS**

- 29. The Sustainable Procurement Policy is in accordance with a number of policy framework plans which contain sustainability objectives. In particular it contributes towards the City of Southampton Strategy priority to 'seek more sustainable use of resources and energy and source more goods and services from local suppliers'.

**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices**

1.	Sustainable Procurement Policy
2.	Sustainable Procurement Resource Plan
3.	Sustainable Procurement Prioritisation Matrix
4.	Employment and Skills Statement within Sustainable Procurement Strategy

**Documents In Members' Rooms**

1.	None
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**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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**Background documents available for inspection at:**

**KEY DECISION? YES**

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
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