



Sustainable procurement in central government

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Sustainable procurement in central government

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EXECUTIVE SUMMARY



Background

1 The UK's sustainable development¹ strategy defines sustainable procurement as 'embedding sustainable development considerations into spending and investment decisions'. Government departments and their executive agencies spend some £15 billion each year on the procurement of goods and services²: through this spending, departments can support the government's ambitious goal of being recognised as a leader in sustainable procurement across European Union member states by 2009.

2 In April 2005 the Environmental Audit Committee of the House of Commons (the Committee) examined sustainable procurement³. Additionally, the Accounting for Sustainability Group, convened by HRH The Prince of Wales, published a report in May 2005 which addressed sustainability in public procurement⁴. Against the backdrop of sustainable procurement's recent high profile, this review is intended to support and take forward interest in this field. In particular, our work summarises the extent of progress towards sustainable procurement in central government, based on reviews and discussions with procurement staff in 20 Whitehall departments, and describes the problems faced by departmental procurement officials in making further progress.

3 Government-wide mechanisms to promote sustainable procurement have focused initially on the environmental aspects of sustainable procurement; this review reflects that focus. We refer to 'sustainable procurement' throughout, whilst recognising that this term also has social and economic dimensions.

Findings

4 The 2004 Sustainable Development in Government (SDiG) report provided an overview of departments' progress towards sustainable operations, and procurement is one of the nine areas covered by SDiG. We validated departmental SDiG data on procurement and examined performance to date to gauge whether central government is on track to procure more sustainably.

5 We found that some data on sustainable procurement in the SDiG (2004) report could present a misleading impression of the level of sustainable procurement in government. While departments provided answers to the general procurement section of the SDiG questionnaire⁵ in good faith, the wording of the questions allowed considerable scope for interpretation. This led to inconsistencies in the reported answers. Departments also struggled to capture the variation in practices of their executive agencies and to present this alongside departmental practice in a single return.

¹ Sustainable development is usually taken to mean the balancing or interplay of economic, social and environmental factors in policy and economic activity.

² National Audit Office, *Improving Procurement: Progress by the Office of Government Commerce in improving departments' capability to procure cost-effectively*, HC 361-I, 2003-2004, 12 March 2004, page 3.

³ House of Commons Environmental Audit Committee, *Sixth Report of Session 2004-05, Sustainable Public Procurement*, HC 266, 13 April 2005.

⁴ Accounting for Sustainability Group, *Realising Aspirations – Or, Using Value for Money to Make the Public Sector More Sustainable*, May 2005.

⁵ The questions from this section are reproduced in Figure 2.

6 On performance, we found that most departments were making progress. This is encouraging given that departments were not formally required to address these issues prior to the announcement of new targets⁶ in October 2004. The procurement section of the SDiG (2004) report therefore provides a baseline against which to measure future progress.

7 We found that most departments have high level processes to promote sustainable procurement, including environmental purchasing policies, commitments to pursue Quick Wins⁷, and commitments to follow the Joint Note on Environmental Issues in Purchasing issued by the Office of Government Commerce and the Department for Environment, Food and Rural Affairs⁸.

8 At an operational level, however, there was often a gap between high level commitment and operational practice. More work is needed to ensure that sustainability is integrated into departmental procurement processes: departments are not prioritising the provision of training on sustainable procurement; few departments are undertaking environmental risk assessments of procurement activity; and departments' approaches to monitoring and evaluation of sustainable procurement activity could be more comprehensive.

9 Members of procurement teams we consulted told us that the main barriers to sustainable procurement were: a conflict between sustainable procurement and the focus on reducing costs; a lack of leadership on these issues across government and within departments; a failure to integrate sustainability into standard procurement processes; decentralisation of procurement within departments; and a lack of training and guidance about what sustainable procurement is and how to achieve it. Uncertainty in departments regarding what can and cannot be done under the European Commission's rules on public procurement was rare, despite the fact that this is often cited as a key barrier to sustainable procurement.

10 A Sustainable Procurement Task Force – comprising senior members of the public and private sectors – has been charged with developing a national action plan for sustainable procurement across the public sector by April 2006. Our work therefore identifies the challenges which the Task Force will need to address in order to assist central government bodies in procuring more sustainably.

⁶ Targets were set under the Framework for Sustainable Development on the Government Estate. The targets on procurement are reproduced in Appendix 1.

⁷ http://www.ogcbuyingsolutions.gov.uk/environmental/products/environmental_quickwins.asp

⁸ Office of Government Commerce and Department for the Environment, Food and Rural Affairs, Joint Note on Environmental Issues in Purchasing, October 2003.



RECOMMENDATIONS AND OTHER AREAS FOR IMPROVEMENT

11 The Committee's report of April 2005⁹ pointed to the need for:

- **improved leadership** within government on sustainable procurement;
- clear progress in creating a **dedicated website** for sustainable public procurement;
- an increased willingness within the **Office of Government Commerce** (OGC) to take on this agenda and move it forward; and
- progress towards setting **clear and measurable targets** for sustainable procurement within central and local government, backed by strong policy decisions aimed at achieving them.

Government will respond to these recommendations in due course.

12 The Accounting for Sustainability Group also made suggestions – directed at both the public sector and the accountancy profession – to promote sustainable procurement:

- **on-the-ground experimentation** to identify where sustainable procurement increases value for money;
- **better data** on procurement expenditure;

- **improved skills** and training;
- **new accounting systems** which would allow for externalities to be taken into account;
- **clear strategic vision** provided by better targets; and
- **closer oversight** of public bodies' progress against targets.

13 Our work focused on practice within individual departments. The key areas for improvement we have identified therefore seek to complement the recommendations made by the Committee and the Accounting for Sustainability Group, and focus on matters at a more operational level.

- Sustainability considerations could be better mainstreamed into public procurement practices:
 - OGC should amend the Gateway Review process¹⁰ to clarify the way in which sustainability considerations should be addressed at each stage of the procurement process.
 - OGC should include sustainability considerations in procurement guidance issued to departments, such as its Successful Delivery Toolkit¹¹.

⁹ House of Commons Environmental Audit Committee, Sixth Report of Session 2004–05, Sustainable Public Procurement, HC 266, 13 April 2005.

¹⁰ <http://www.ogc.gov.uk/index.asp?id=377>

¹¹ <http://www.ogc.gov.uk/sdtoolkit/>



RECOMMENDATIONS AND OTHER AREAS FOR IMPROVEMENT CONTINUED...

- OGC and Defra should expand their written guidance on sustainable procurement – possibly the Joint Note on Environmental Issues in Purchasing – in collaboration with sustainable procurement experts such as those in the National Health Service’s Purchasing and Supply Agency¹² and members of the Sustainable Procurement Task Force. The guidance should clarify:
 - how departments should undertake environmental risk assessments of purchasing activity;
 - how departments should monitor and report on sustainable procurement; and
 - how departments can adopt a whole life costing approach to procurement.
- OGC should continue to emphasise that value for money does not necessarily equate to least cost: sustainable procurement may save departments money; or cost the same or more, in return for longer term savings or wider benefits, which can be taken into account in a value for money assessment. This emphasis will give departments scope to procure sustainably in situations where there are additional cost or affordability implications. Departments should ensure that this message reaches procurement teams.
- Departments should increase uptake of training on sustainable procurement:
 - Procurement staff should receive detailed training on the need for sustainable procurement and how to carry out sustainable procurement in practice.
 - Senior management should receive training to encourage high-level buy-in to the need for sustainable procurement within the department.
 - Other staff with responsibility for developing business cases for procurement should also receive training on how to reflect sustainability in their procurement proposals.
 - Departments should also ensure that procurement staff in decentralised purchasing teams receive sufficient training in sustainable procurement, and ensure that these teams adhere to the policies and standards espoused by central procurement teams.

¹² The National Health Service’s Purchasing and Supply Agency (NHS PASA) is an executive agency of the Department of Health. NHS PASA was a central government forerunner in espousing sustainable procurement and, as such, its approach to sustainable procurement is more developed than that of other departments and agencies.



- In line with the commitment in the UK Sustainable Development Strategy¹³, Defra and OGC’s executive agency, OGCBuying.solutions, should do more to encourage the uptake of the Quick Wins by departments:
 - Defra should ensure that the extended list of Quick Win specifications being developed by the Market Transformation Programme contains more products that are purchased frequently by departments.
 - OGCBuying.solutions¹⁴ should make it easier for departmental procurement teams to purchase products meeting the Quick Win specifications via its website, and ensure that its range of products offers good value for money when compared to other products on the market that meet the same specification.
- The newly-formed Sustainable Procurement Task Force may wish to consider each of these areas for improvement when drawing up its national action plan. In particular, the Task Force may wish to focus on:
 - How to effectively and meaningfully monitor and report upon sustainable procurement.
 - How departments should be supported in the delivery of training on sustainable procurement. This might include a consideration of how departments could secure the necessary resources for the delivery of training.
 - Working out the priorities for sustainable procurement in central government and providing the necessary leadership to deliver them.

¹³ The Strategy commits the Government to ‘extend the range of mandated products meeting minimum environmental standards (the ‘Quick Wins’ list); improve compliance by public sector purchasers; and enable suppliers to demonstrate compliance to these standards’.

¹⁴ OGCBuying.solutions is an executive agency of the Office of Government Commerce in the Treasury. Its role is to provide a full range of products and services designed to encourage effective procurement, achieve measurable cost savings and improve the efficiency of the purchasing function throughout the public sector.

PART ONE

Procurement has a key role to play in the drive towards sustainable development



1.1 Central government spends over £15 billion on the procurement of goods and services each year, ranging from equipment, information technology, research and consultants through to postal services, travel and stationery¹⁵. The government recognised in the UK's new sustainable development strategy that its own approach to procurement is a way of leading by example in the field of sustainable development.

1.2 The UK's sustainable development strategy defines sustainable procurement as 'embedding sustainable development considerations into spending and investment decisions', and notes that sustainable procurement offers opportunities to government and society as a whole, by:

- avoiding adverse environmental impacts arising on the government estate;
- making more efficient use of public resources;
- stimulating the market to innovate and to produce more sustainable options for all purchasers; and
- demonstrating to business and the public that government is serious about sustainable development¹⁶.

The Accounting for Sustainability Group, convened by HRH The Prince of Wales, echoed these opportunities. The Group noted that procurement is the area where sustainability can be most practically integrated into public policy, and that it has the potential to influence the whole economy in a more sustainable direction¹⁷.

1.3 The government's ambitious goal is to be recognised as a leader in sustainable procurement across European Union member states by 2009. A Sustainable Procurement Task Force – comprising senior members of the public and private sectors – has been charged to draw up a national action plan by April 2006 to support this goal¹⁸.

1.4 In December 2004, the Environmental Audit Committee of the House of Commons (the Committee) launched an inquiry to examine how sustainable procurement policy was being implemented within Government. The Committee published a short report in April 2005¹⁹ which recommended:

- improved leadership within government on this matter;
- clear progress in creating a dedicated website for sustainable public procurement;
- an increased willingness within the Office of Government Commerce (OGC) to take on this agenda and move it forward; and
- progress towards setting clear and measurable targets for sustainable procurement within central and local government, backed by strong policy decisions aimed at achieving them.

The Committee's report also suggested that their successors might return to this topic at a future date, informed in part by the work we were doing in this field. This review presents the results of our work, looking at progress towards sustainable procurement in central government departments.

15 Procurement is defined as being the whole life cycle process of acquisition of goods, services and works from third parties, beginning when a potential requirement is identified and ending with the conclusion of a service contract or ultimate disposal of an asset. (National Audit Office, Improving Procurement: Progress by the Office of Government Commerce in improving departments' capability to procure cost-effectively, HC 361-I, 2003-2004, 12 March 2004).

16 Securing the Future – UK Government sustainable development strategy, March 2005.

17 Accounting for Sustainability Group, Realising Aspirations – Or, Using Value for Money to Make the Public Sector More Sustainable, May 2005. The Accounting for Sustainability Group is comprised of representatives from the National Audit Office; the University of Cambridge Programme for Industry; Business in the Community; Forum for the Future; and the Institute of Chartered Accountants.

18 <http://www.sustainable-development.gov.uk/delivery/global-local/ProcurementTaskForce.htm>

19 House of Commons Environmental Audit Committee, Sixth Report of Session 2004–05, Sustainable Public Procurement, HC 266, 13 April 2005.

There are government-wide mechanisms to promote sustainable procurement

1.5 The key mechanisms which have been used to encourage sustainable procurement within central government are:

- the publication of the Joint Note on Environmental Issues in Purchasing;
- the work of the interdepartmental Sustainable Procurement Group, including the identification of ‘Quick Wins’; and
- the inclusion of procurement within the Framework for Sustainable Development on the Government Estate, and monitoring of progress against the Framework in the annual Sustainable Development in Government report.

The government-wide mechanisms to promote sustainable procurement so far have largely focused on the environmental aspects of sustainability, or ‘green procurement’. However, OGC has been working with departments to draw up a note on ‘Social Issues in Purchasing’, due to be published in autumn 2005, which will assist departments in incorporating the social aspects of sustainability into their procurement processes.

The Joint Note on Environmental Issues in Purchasing is a key source of guidance

1.6 Government departments’ approach to sustainable procurement has largely been shaped by a guidance note originally published by HM Treasury and the Department for Environment, Transport and the Regions in 1999. The note, entitled the ‘Joint Note on Environmental Issues in Purchasing’, was then revised and reissued by the OGC and the Department for the Environment, Food and Rural Affairs (Defra) in 2003²⁰.

1.7 The OGC/ Defra Joint Note on Environmental Issues in Purchasing (the Joint Note) provides guidance, but not instructions, to departments on:

- How environmental issues can be considered at each stage of the procurement process. The Joint Note does not dictate a single approach; it illustrates the scope for considering environmental issues at various stages, giving users the freedom to apply the best practice principles in the most appropriate way to meet their business needs.

- How to take environmental issues into account in public procurement within the present regulatory framework, with particular reference to the European Commission’s procurement rules. It thereby clarifies concerns about the legality of incorporating environmental criteria into, for example, the specification or award stages of the procurement process.
- How the considerations above relate to the government’s policy of achieving value for money in procurement (**as set out in Figure 1**). The Joint Note states that there should be no conflict between government’s twin goals of value for money (defined as the optimum combination of whole life cost and quality) and sustainability in procurement.

The Sustainable Procurement Group identified ‘Quick Wins’ for sustainable procurement

1.8 The interdepartmental Sustainable Procurement Group was established in 2001 at the request of the Secretary of State for Environment, Food and Rural Affairs to consider how government procurement could support sustainable development. The recommendations of the Sustainable Procurement Group²¹ were instrumental in shaping the government’s approach to sustainable procurement, including the re-issue of the Joint Note. The newly created Sustainable Procurement Task Force will build on the work of the Sustainable Procurement Group, which has now been wound up.

1 Value for money in procurement

The government’s procurement policy is that all public procurement of goods, works and services is to be based on value for money, having due regard to propriety and regularity. Value for money is defined as ‘the optimum combination of whole life cost and quality (or fitness for purpose) to meet the user’s requirement’.

Source: HM Treasury, Government Accounting 2000, Chapter 22

Light bulbs

Light bulbs labelled with a ‘class A’ EU energy label use less energy than other models, and can therefore have a lower whole life cost.



20 Office of Government Commerce and the Department for the Environment, Food and Rural Affairs, Joint Note on Environmental Issues in Purchasing, October 2003.

21 Sustainable Procurement Group, Report and Recommendations of the Sustainable Procurement Group, January 2003.

1.9 The Sustainable Procurement Group identified certain product areas – ranging from detergents to lighting systems – in which purchasing to higher environmental standards would deliver immediate environmental benefits. These were called the ‘Quick Wins’. In October 2003, Ministers across Whitehall signed up to the immediate implementation of the Quick Wins, to achieve the sustainable procurement of 27 products. As a result, from 1 November 2003, all central government departments had to apply the Quick Wins’ minimum environmental standards to all new procurement contracts, where applicable. To further support this initiative, OGCBuying.solutions (an executive agency of the Office of Government Commerce²²) published on its website a list of products which met the Quick Win specifications (see box below).²³

Quick Wins

The Quick Win specifications include a variety of products, such as:

- Office supplies (copier paper and paper for printed publications)
- Plant equipment (lighting and refrigeration systems)
- Other equipment (boilers; washing machines; dishwashers; fridges and freezers)
- Consumables (tissue paper; light bulbs; detergents; paints and varnishes)

Detergents

Detergents with a reduced chemical content and with surfactants (dirt removing ingredients) that are biodegradable under anaerobic conditions have fewer adverse impacts on the water supply.



The Framework for Sustainable Development on the Government Estate encourages sustainable procurement

1.10 Central government’s approach to increasing the sustainability of departments’ operations, including procurement, is set out in the Framework for Sustainable Development on the Government Estate (the Framework). The Framework sets targets for all government departments (listed in Appendix 3) and their executive agencies.

1.11 The Framework is an evolving document. It has been developed over time²⁴, and targets for procurement were not set until October 2004. As a consequence, departments and their executive agencies have only recently adopted a structured, target-based approach to sustainable procurement. The targets on sustainable procurement in Part F of the Framework²⁵ cover existing initiatives to encourage sustainable procurement (such as the use of the Joint Note and the Quick Wins), as well as setting new targets (such as the creation of environmental purchasing policies). The new Framework targets (reproduced in Appendix 1) are largely process, rather than outcome-based, and are heavily focused on the creation of sustainable procurement strategies by December 2005. The Framework is presently under review by a Sustainable Operations Board, which has been established for this purpose.

The Sustainable Development in Government report describes departments’ progress

1.12 Departments’ progress against the Framework targets, including sustainable procurement, is reported annually in the Sustainable Development in Government (SDiG) report which has so far been compiled by Defra’s Sustainable Development Unit and will, in future, be compiled and analysed by independent consultants on behalf of the Sustainable Development Commission. The SDiG report is based upon data supplied by departments, which should also incorporate the performance of their executive agencies²⁶.

22 The role of OGCBuying.solutions is to deliver value for money gains for central government and the wider public sector through a dedicated, professional procurement service.

23 http://www.ogcbuyingsolutions.gov.uk/environmental/products/environmental_quickwins.asp

24 Targets for travel, water services and overarching commitments were published in July 2002; biodiversity targets were published in August 2003; energy targets were published in March 2004; and waste targets in July 2004. Targets for estates management and construction, social impacts, and procurement were set in October 2004.

25 Procurement is also addressed in Part G of the Framework, which relates to Estates Management & Construction. Targets in this part of the Framework require departments to ensure that sustainable development considerations are incorporated into contracts for construction projects and for estates management.

26 In this review, the term ‘department’ is used to indicate the department and its executive agencies, unless otherwise indicated.

1.13 The procurement section of the SDiG report previously focused solely on departments' procurement of particular products (paper; timber; electrical products; and food), which was a useful way to report on departments' performance before the Framework targets were set. The 2004 SDiG questionnaire continued to collect data on purchasing for these specific products²⁷ despite the fact that there are no targets for the procurement of these items. Although the SDiG (2004) questionnaire was sent to departments before the Framework targets on procurement were published, the questionnaire gave departments a useful indication of the Framework targets on sustainable procurement by including additional 'general procurement' questions, which broadly relate to the new targets in the questionnaire (Figure 2). The SDiG (2005) questionnaire, which was recently sent to departments, includes most of the questions listed in Figure 2, but the questions have been revised and expanded to reflect the Framework targets on procurement more closely. However, departments' responses to the questions listed in Figure 2, as published in the SDiG (2004) report, give an early indication of the extent to which departments are on track to meet the new Framework targets on sustainable procurement. The first actual data for departments' performance against the Framework targets on sustainable procurement (Appendix 1) will not be available until November 2005 when the next SDiG report is published.

How we approached this review

1.14 The government's Framework for Sustainable Consumption and Production stated in September 2003 that the scope for using government purchasing activity to help deliver sustainable development objectives was greatly under-utilised. This situation remains largely unchanged. Although there are various mechanisms in place to encourage sustainable procurement in central government, academics and procurement professionals in both the private and public sectors have identified numerous pressures which could be seen to work against the sustainable procurement agenda. Figure 3 lists those which are most frequently cited. These pressures are often described as barriers, yet the extent to which these barriers are perceived or real - and the extent to which such barriers will impact departments' abilities to procure goods and services more sustainably - has not been explored.

2 General procurement questions in the Sustainable Development in Government questionnaire (2004)

- Do you have an environmental purchasing policy? (Yes/No)
- Do you have standard environmental clauses to be inserted in all contracts unless they are demonstrably inappropriate? (Yes/No)
- Do you have a commitment to purchase goods and services which meet the minimum standards outlined in the October 2003 Quick Wins list or successor documents? (Yes/No/In part)
- Are environmental risk assessments incorporated into all procurement processes? (Yes/No/In part)
- Does your department have a commitment to follow best/recommended practice as set out in the Joint Note on Environmental Issues in Purchasing, and in similar Notes on Innovation and Social Issues in Purchasing when these are developed? (Yes/No/In part)
- Does your department have a commitment to collect data, to monitor, evaluate and report performance on procurement activity? (Yes/No/In part)
- Have you developed and implemented a training and awareness programme for staff connected in any way with procurement activities? (Yes/No/Planned)

1.15 One of the most commonly cited barriers is that of cost: the notion that sustainable procurement will inevitably cost more than a business-as-usual approach. OGC have stated that this need not be the case (Figure 4). Nonetheless, this perceived barrier has become more pertinent in the light of the need to achieve efficiency savings in line with the public sector Efficiency Review in 2004, chaired by Sir Peter Gershon²⁸. The Efficiency Review identified £21 billion of efficiency savings to be made across the public sector by 2007-8, over one third of which – £7.17 billion – is estimated to come from savings in public sector procurement²⁹. As such, the government's continuing interest in procurement is high.

27 The questionnaire asked for details on departments' procurement of: construction timber; manufactured timber products; desk top paper; printed publications; kitchen and toilet tissue; energy labelling schemes; food and catering services.

28 HM Treasury, Releasing Resources to the front line – Independent review of public sector efficiency, July 2004.

29 http://www.ogcbuyingsolutions.gov.uk/environmental/practice/environmental_practice_sustainable.asp

3 There are several commonly cited barriers to sustainable procurement

- **Cost:** Perception of increased costs associated with sustainable procurement. Value for money is perceived to be inconsistent with paying a premium to achieve sustainability objectives.
- **Knowledge:** Lack of awareness of the need for and processes required to conduct procurement more sustainably.
- **Awareness and information:** Lack of information about the most sustainable option; lack of awareness of products; lack of monitoring of suppliers; perceptions of inferior quality.
- **Risk:** Risk-averse buyers prefer to purchase from suppliers with a good track record. Organisations fear criticism from the media and are therefore less keen to take innovative approaches.
- **Legal issues:** Uncertainty as to what can, and cannot be done, under existing rules (both UK and EC) on public procurement.
- **Leadership:** A lack of leadership – both organisational and political – leading to a lack of ownership and accountability at all levels.
- **Inertia:** Lack of appetite for change. Lack of personal or organisational incentives to drive change.

Source: Sustainable Development Commission/HM Treasury workshop on Sustainable Public Procurement (December 2004); Green Alliance Sustainable Procurement workshop (February 2005); and Accounting for Sustainability Group (May 2005)

4 Efficiency and sustainability

OGC has stated that efficiency and sustainability are not incompatible. It commented that 'a sustainable solution may offer better value for money by virtue of energy savings, recyclability or from a reduction in disposal costs, as well as providing wider benefits such as job creation or encouraging ideas with growth potential'³⁰. The Environmental Audit Committee³¹ and the Accounting for Sustainability Group³² concur.

1.16 Against this background, we examined how far departments have progressed towards sustainable procurement. We focused on the:

- **Accuracy** of departments' responses to the SDiG (2004) questionnaire (Part 2): Our examination of the previous SDiG report on behalf of the Environmental Audit Committee of the House of Commons³³ gave rise to concerns over the quality of the SDiG reporting mechanism³⁴. We therefore validated departments' responses to the relevant section of the SDiG questionnaire to confirm the accuracy of the reported data.
- **Progress** towards sustainable procurement (Part 3): Based on our validated data, we identified – for central government as a whole – areas of success in implementing sustainable procurement, and the areas in which further work is still required. We also identified examples of good practice within individual departments, which show how other departments could build upon the work already underway.
- **Barriers** to sustainable procurement (Part 4): We identified and prioritised barriers to sustainable procurement as perceived by those responsible for procurement in departments.

We carried out our work across the 20 government departments covered under the Framework³⁵, and were supported by Atkins Environment³⁶. We also discussed our work with procurement experts, including those in OGcbuying.solutions.

1.17 Government-wide mechanisms to promote sustainable procurement have focused initially on the environmental aspects of sustainable procurement; this review reflects that focus. We refer to 'sustainable procurement' throughout, whilst recognising that this term also has social and economic dimensions.

30 http://www.ogcbuyingsolutions.gov.uk/environmental/practice/environmental_practice_sustainable.asp

31 House of Commons Environmental Audit Committee, Sixth Report of Session 2004–05, Sustainable Public Procurement, HC 266, 13 April 2005, para. 15.

32 Accounting for Sustainability Group, Realising Aspirations – Or, Using Value for Money to Make the Public Sector More Sustainable, May 2005.

33 House of Commons Environmental Audit Committee, Eighth Report of Session 2003–04, Greening Government 2004, HC 881, 27 July 2004.

Our briefing, prepared for the Committee, is published as an appendix to this report.

34 We found that in some instances the targets were stated in terms which are ambiguous or open to different interpretation; and that data quality was often poor due to gaps in the data, errors and a general lack of validation (ibid, para 18 -19).

35 The departments are listed in Appendix 3.

36 Atkins' team of specialist environmental and sustainability advisors works with clients around the world to develop sustainable solutions for their work.

PART TWO

The Sustainable Development in Government report (2004) presents an overly positive view of departmental performance



2.1 The SDiG (2004) report provides an overview of departments' progress towards sustainable procurement prior to the publication of Framework targets on procurement³⁷. The data in the SDiG (2004) report therefore provides a useful baseline against which departments' future progress on sustainable procurement can be measured. However, the data is not validated prior to publication. Any interpretation of the data can only take place if the data is accurate. This part looks at the accuracy of the SDiG data on procurement, and assesses whether the SDiG (2004) report accurately presents the extent of departmental efforts towards sustainable procurement.

Departments interpreted the SDiG questionnaire differently, giving rise to inconsistencies in reported performance

2.2 We found that departments provided questionnaire responses in good faith, with what they considered to be accurate answers to the general procurement questions. However, due to the nature of the questionnaire, departments interpreted the SDiG questions differently, leading to a degree of inconsistency and therefore an inaccurate representation of departments' performance as a whole. This part therefore explores the extent of, and reasons for, these inconsistencies and inaccuracies.

The wording of the procurement questions meant departments interpreted them in different ways

2.3 There were several problems with the wording of the procurement questions in the SDiG (2004) questionnaire, which gave departments scope to interpret them in different ways:

- **Questions did not define the level of progress required by departments.** For many questions, the responses available were 'yes'; 'in part'; or 'no', but the questionnaire did not indicate the level of progress required for each possible answer. This led to variations in departments' responses: in some cases departments gave different answers despite having made the same level of progress; in other cases departments gave the same response despite having made markedly different progress (**Case example 1 overleaf**).
- **Questions were vaguely worded.** Several of the questions related to departmental 'commitments' to implement actions or processes. The term 'commitments', however, was not defined, and departments therefore interpreted this in different ways. Departments' 'commitments' varied from fully embedded processes to undocumented intentions regarding implementation in the future.

37 The targets on procurement within the Framework for Sustainable Development on the Government Estate are reproduced in Appendix 1.

- **Two of the questions enabled departments to provide answers that were unintentionally misleading.** The question on training and awareness programmes, and the question on monitoring and reporting, related to procurement as a whole and did not mention the environment or sustainability. Many departments, therefore, justifiably responded positively to these questions - referring to general procurement training, or monitoring and reporting on procurement as a whole - although few could have answered yes had the questions related specifically to sustainable procurement: the intended subject of the question. For example, 11 departments gave a 'yes' response to the question regarding the provision of training for procurement staff. When asked the same question in relation to training on sustainable procurement, only four departments responded positively.

CASE EXAMPLE 1

Departments with markedly different levels of progress could give the same answers to the SDiG (2004) questions on procurement

Departments were asked whether they have a commitment to purchase goods and services which meet the minimum standards outlined in the Quick Win specifications. Both the Department for Transport (DfT) and the Export Credits Guarantee Department (ECGD) answered 'yes' to this question. However:

- DfT had clearly communicated the requirement to follow the Quick Win specifications to its procurement teams using a Procurement Advice note, and was using the Quick Win specifications for a wide variety of products.
- ECGD responded positively to the SDiG question on the basis that it purchases office paper which meets the Quick Win specification³⁸, but was unable to prove that the department had an overarching commitment to Quick Wins.

Further analysis of each of the questions in the general procurement section of the SDiG (2004) questionnaire is provided in Appendix 2. Given the ongoing changes to the SDiG questionnaire, it is important that whoever the Sustainable Development Commission appoints to write future questionnaires pays particular attention to the wording of the questions so that they are capable of producing more consistent responses from departments. By minimising potential ambiguity in the questions, all departments will be able to respond in a more standardised way which will improve the accuracy and usefulness of data in the SDiG report.

Departments did not consistently include all of their executive agencies and sites in their responses

2.4 Defra required a single response to the SDiG questionnaire to cover the department – including all of its sites – and the department's executive agencies. Some departments commented that the SDiG questionnaire did not make it clear that the response was required to cover all the departments' sites and executive agencies.

2.5 For example, most departments included their executive agencies in their SDiG response. However, some departments did not receive a reply from their executive agencies in response to the request for data. Where executive agencies were included, departments found this difficult to manage, since procurement functions within each body are often different and work to different management processes and systems. Departments therefore struggled to provide an accurate response where, for example, the required 'yes/ no' response was different for the department and its executive agencies.

38 ECGD is a small department, and a minor tenant in a centrally managed building; it therefore has no need to purchase most of the products meeting the Quick Win specifications.

2.6 In addition some departments were unsure which sites to include. For example, departments were uncertain about whether they should include every site or only those covered by an environmental management system. They were also unclear about whether they should include overseas sites.

The SDiG report (2004) suggests that departments' progress towards sustainable procurement is more advanced than it is

2.7 To remove the inconsistencies identified in departments' interpretation of the SDiG questionnaire, we standardised departmental responses on a common basis (set out in Appendix 2). In this way, where departments' approaches were the same, we revised their SDiG responses to be the same. In addition, where sustainability considerations had been omitted in the SDiG questionnaire, we also ensured that our standardisation took sustainability into account.

2.8 In some areas, the SDiG report presents an over-optimistic picture of departmental progress on sustainable procurement (**Figure 5 overleaf**). For example:

- 11 departments were not undertaking environmental risk assessments, whereas the SDiG report stated that only four departments were not undertaking them.
- 12 departments have not yet delivered or planned any training programme on sustainable procurement, whereas the SDiG report stated that only five departments have not delivered any training.

- 12 departments have a commitment to following the Joint Note, but the SDiG report suggests that 18 departments have a commitment.
- 13 of the 15 departments that responded 'yes' to the question on monitoring and reporting of sustainable procurement had no system for doing so other than responding to the annual SDiG questionnaire.

2.9 In contrast, departments were making better progress than shown in the SDiG report in two areas:

- 19 departments were using environmental clauses in the procurement process, whereas the SDiG report suggests that 16 departments were using environmental clauses.
- 16 departments had a commitment to using the Quick Wins, rather than the 13 departments which the SDiG report indicated. In response to the SDiG question regarding departments' commitment to purchase goods and services which meet the minimum standards in the Quick Wins list, some departments answered 'in part' because they only bought goods according to some of the Quick Win specifications, and not all of them.

Timber

The purchase of certified sustainable timber promotes environmentally responsible, socially beneficial and economically viable management of the world's forests.



http://www.fsc.org/en/about/policy_standards/princ_criteria

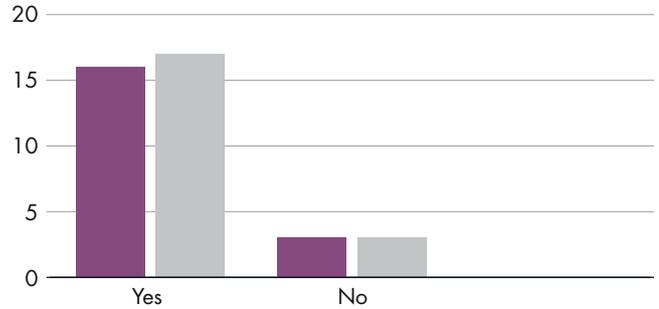
5 Departments' progress towards sustainable procurement

Topic

SDiG question

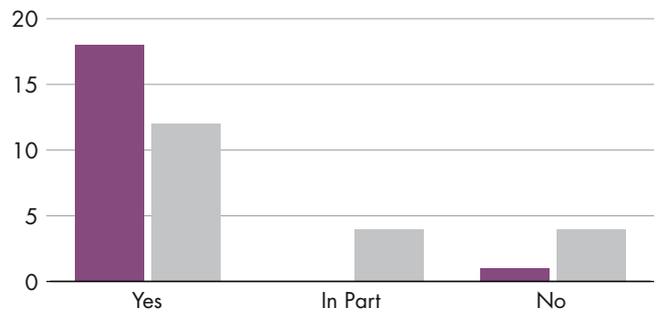
Environmental policy

Do you have an environmental purchasing policy?



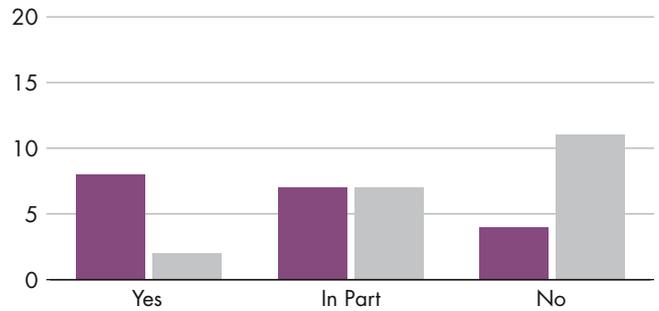
Joint Note

Does your department have a commitment to follow best/recommended practice as set out in the Joint Note on Environmental Issues in Purchasing, and in similar Notes on Innovation and Social Issues in Purchasing when these are developed?



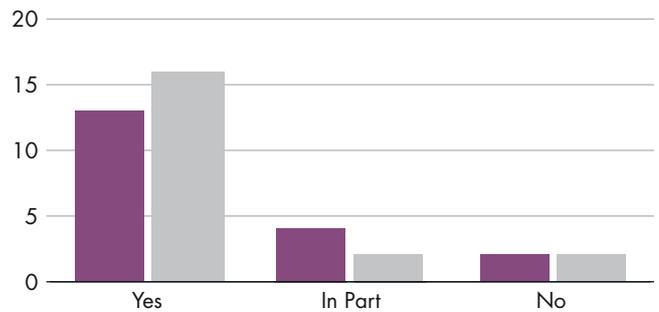
Environmental risk assessment

Are environmental risk assessments incorporated into all procurement processes?

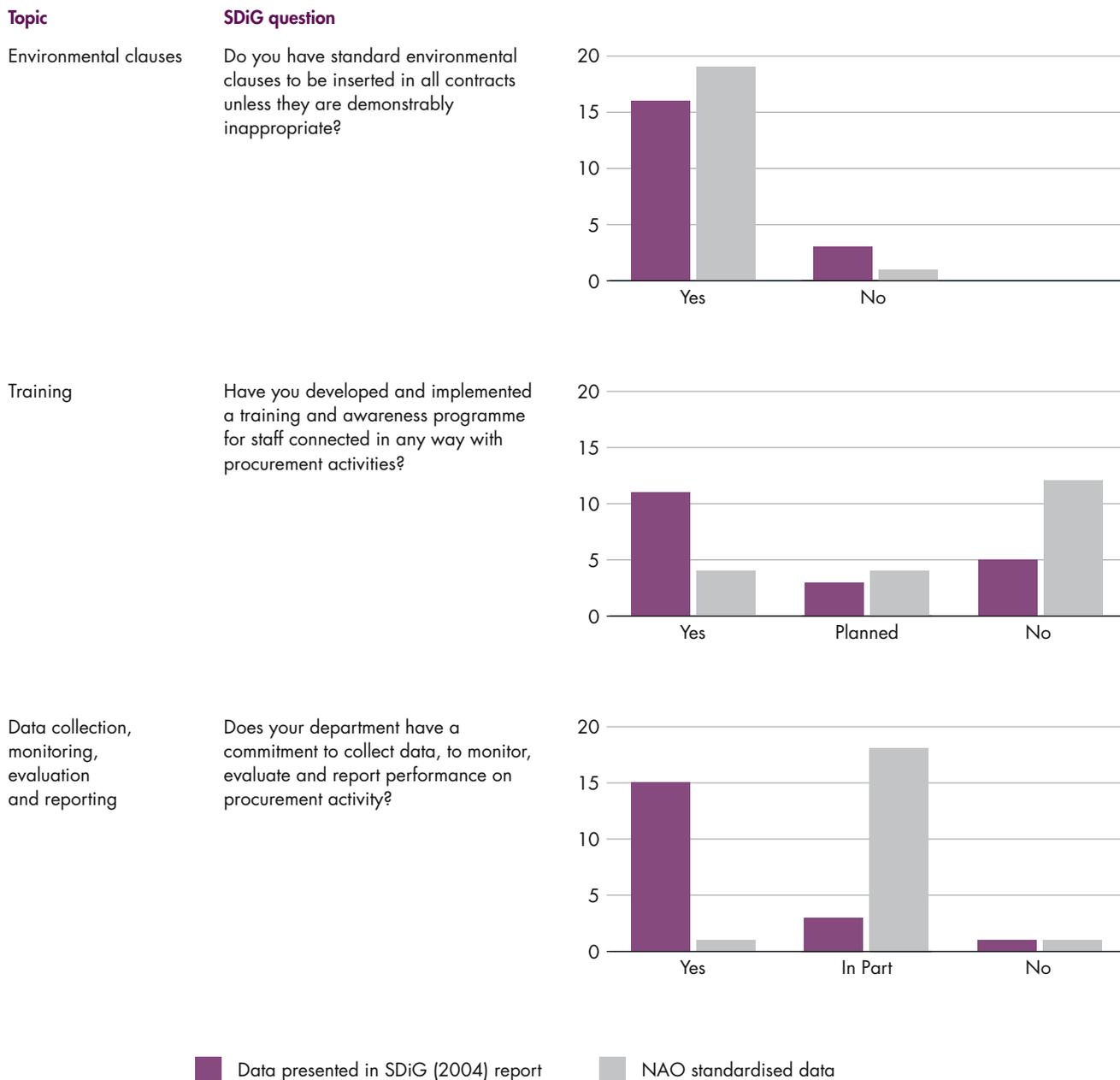


Quick Wins

Do you have a commitment to purchase goods and services which meet the minimum standards outlined in the October 2003 Quick Wins list or successor documents?



Source: National Audit Office



NOTE

The SDiG data covered 19 departments, as listed in Appendix 3, with the exception of the Department of Constitutional Affairs (DCA) which did not provide a response to this section of the SDiG questionnaire. The NAO standardised data includes all 20 departments, including DCA.

PART THREE

There is a gap between commitment and implementation



3.1 Departments' responses to the SDiG procurement criteria show whether they have mechanisms in place to enable sustainable procurement. Most departments can already demonstrate their commitment to sustainable procurement through the establishment of some, if not all, of these mechanisms. However, departments may be able to answer 'yes' to every SDiG question, yet still not be conducting their procurement in a sustainable manner. Most departments still have some way to go to translate their commitment to sustainable procurement into implementation. Departments must ensure that not only are the mechanisms and processes for sustainable procurement in place, but that they are also embedded into their operations.

3.2 Bridging the gap between commitment and practice presents a significant challenge for departments: a considerable shift in both culture and process. It requires buy-in at both the senior and operational levels; an investment of time and resources in building the required skills base; and a willingness to depart from the status quo.

3.3 This part examines how far departments have come to date: where progress has been made against the SDiG procurement criteria, and where further action is required. In addition, we identify examples of good practice where departments have started to close the gap between commitment and implementation.

Most departments have high level processes to enable sustainable procurement

3.4 Our validation of departmental responses to the SDiG (2004) questionnaire showed that most departments have instituted three key processes to enable sustainable procurement:

- 17 departments had an environmental purchasing policy (or equivalent);
- 12 departments demonstrated a commitment to follow the OGC/ Defra Joint Note on Environmental Issues in Purchasing; and
- 16 departments demonstrated a commitment to purchase goods which meet the minimum standards outlined in the Quick Wins³⁹.

Most departments have an environmental purchasing policy or equivalent

3.5 Environmental purchasing policies set out that departments will choose environmentally preferable solutions to meet their procurement needs. 17 departments have some form of environmental purchasing policy, or equivalent. As the requirement for departments to develop an environmental purchasing policy is newly defined under the Framework targets on sustainable procurement (Appendix 1) it is encouraging that departments have already taken steps in this direction before the requirement to do so was set out in targets.

³⁹ These figures are based on our standardised data, as set out in Figure 5.

3.6 Although 17 departments have some form of environmental purchasing policy, only six departments have a standalone document. Other departments have instead incorporated their policies on environmental purchasing into one or more alternative documents, such as procurement strategies or manuals; environmental policies; or sustainable development strategies. All of these formats demonstrated departments' assertions that a 'policy' on environmental purchasing exists.

3.7 The quality and content of the environmental purchasing policies, or equivalent documents, varied widely. In many cases, the distinction between departmental policy and best practice guidance was unclear, making it difficult for procurement and sustainable development teams to enforce the message contained within these documents. In practice, procurement teams found the most useful documents were those which:

- clearly stated that it is the department's policy (rather than best practice) to incorporate environmental concerns into the procurement process;
- unambiguously defined the key principles of sustainable procurement; and
- communicated high-level commitment to these principles.

The environmental purchasing policy for the Department for Work and Pensions (DWP) is a good example (**Case example 2**).

Many departments can demonstrate their commitment to following the Joint Note

3.8 The Joint Note⁴¹ sets out best practice for considering environmental issues at each stage of the procurement process. 12 departments could demonstrate a commitment to following the Joint Note by, for example, referring to the Joint Note in guidance manuals or the department's intranet site. In many cases, however, the 'commitment' to the Joint Note was limited to a one-off internal communication to procurement teams that the Joint Note had been re-issued.

3.9 Departments' commitment to following the Joint Note as a source of best practice is not as widespread as it could be. Four departments were unable to demonstrate

CASE EXAMPLE 2

The environmental purchasing policy for DWP

DWP has a succinct standalone policy for 'Specifying sustainable goods and services' which sets out that:

- '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'⁴⁰;
- DWP is committed to this agenda at a senior level;
- it is 'Government policy to buy sustainable goods and services even if these cost more';
- procurement teams should take a proactive approach and challenge its internal customers to procure sustainably;
- there is most scope for doing so at the specification stage of a procurement exercise; and
- further advice and guidance is available from named DWP officials.

The policy has effectively been used in DWP to support the business case for buying environmentally sound products, and the department's sustainable development team believes its introduction has been a success.

their commitment to the Joint Note, predominantly citing competing priorities as the prime reason. Similarly, a further four departments only have a 'partial' commitment: the departments' executive agencies had addressed the Joint Note but the core department had not.

3.10 Awareness of the content of the Joint Note within procurement teams could be greater. Many procurement teams complained that the Joint Note had been poorly communicated to them on publication. This may explain why members of procurement teams were often unable to comment on the content of the Joint Note, and uncertain whether it was used as a source of best practice in their departments.

Paper

The production of recycled paper demands less energy and water, and produces less air pollution, than the production of paper from virgin pulp.



<http://www.wasteonline.org.uk/resources/InformationSheets/Paper.htm>

40 This statement is reproduced from the Report and Recommendations of the Sustainable Procurement Group, January 2003.

41 Office of Government Commerce and the Department for the Environment, Food and Rural Affairs, Joint Note on Environmental Issues in Purchasing, October 2003.

3.11 One way to embed the principles of the Joint Note in departments' procurement practice is to incorporate the best practice guidance into departments' own policies and procedures. This approach is being taken by the National Health Service's Purchasing and Supply Agency (NHS PASA), an executive agency of the Department of Health. NHS PASA was a central government fore-runner in espousing sustainable procurement⁴² and, as such, its approach to sustainable procurement is more developed than that of other departments and agencies. Its approach to disseminating best practice throughout the organisation (**Case example 3**) could therefore serve as a useful model on which departments could build their own approaches.

CASE EXAMPLE 3

Embedding the principles of the Joint Note into NHS PASA's procedures

NHS PASA has drafted a procedure entitled 'Environmental Purchasing' which draws heavily on the content of the Joint Note: for example, its illustration of how environmental issues can be considered at each stage of the procurement process is reproduced verbatim. The detailed content of the procedure, however, has been tailored to integrate with NHS PASA's own procedures. The 'Environmental Purchasing' procedure is still in draft format, but has been piloted throughout the organisation. NHS PASA intends to formally incorporate the procedure into its established procurement procedures, thereby embedding the content of the Joint Note.

Some use has been made of the Quick Wins

3.12 The 'Quick Wins' are specifications for 27 products which are considered to reduce environmental impacts⁴³. We found that 16 departments have a commitment to purchasing products that meet the Quick Win specifications. Most purchase recycled paper, and many are also starting to purchase energy-saving IT equipment (for which there are three Quick Win specifications). Most departments admitted, however, that their commitment did not extend to all 27 of the Quick Wins. We were told that members of many procurement teams thought that purchasing products which meet the Quick Win specifications was not mandatory, despite the fact that Ministers announced in 2003 that all central government departments must apply the Quick Win environmental standards in new contracts.

3.13 Departments mostly perceive the concept of Quick Wins as helpful in facilitating sustainable procurement, yet recognise that the government could improve the way they are put into practice. Departments commented that the Quick Wins are useful in minimising the need to undertake investigative work and tender processes: they can help non-specialists and busy procurement teams to procure environmentally sound products. Conversely, the Quick Wins were frequently criticised, as follows:

- Procurement teams commented that the OGCBuying.solutions website is not user-friendly; they find it time-consuming to locate products meeting the specifications, and can obtain better value for money for products meeting the specification elsewhere.
- Those with environmental expertise often felt that the Quick Win specifications are insufficiently demanding to deliver environmental benefits.
- Procurement teams did not feel that it was their responsibility to implement the Quick Wins for products that are procured under Facilities Management or IT contracts. The former HM Customs and Excise (HMCE)⁴⁴ tried to address this issue, but encountered problems (**Case example 4**).

CASE EXAMPLE 4

The challenge of working with Facilities Management Companies

HMCE's Facilities Management company were contractually required to procure environmentally friendly products across all aspects of the estate. The department's sustainable development team thus encouraged their contractors to apply the Quick Win specifications.

The Facilities Management contract also states that appliances shall be replaced like-for-like and without betterment. The price premium attached to the purchase of products meeting the Quick Win specifications raised the question of who – the department or the contractor – should pay for the improvement. Despite considerable effort by the department, this issue has yet to be resolved.

⁴² NHS PASA co-authored 'Environmental Purchasing in Practice – Guidance for Organisations' with the Institute of Environmental Management and Assessment (IEMA) and the Chartered Institute of Purchasing and Supply (CIPS) in 2002. As such, its efforts towards sustainable procurement pre-dated many of the government's initiatives outlined in Part 1.

⁴³ The specifications relate to energy saving and reduced carbon emissions; recycled content; biodegradability; content of volatile organic compounds and organic ingredients. They are listed at: http://www.ogcbuyingsolutions.gov.uk/environmental/products/environmental_quickwins.asp

⁴⁴ HMCE has now merged with Inland Revenue to form HM Customs and Revenue.

3.14 OGBuying.solutions has recently undertaken a study of the uptake of Quick Wins: it has analysed the patterns of hits on the Quick Wins website throughout its history and attempted to monitor the uptake through the contracts placed with OGBuying.solutions. The study on the pattern of hits to the website revealed a significant increase in the number of hits after some form of publicity, but the latter study has proved largely inconclusive. OGBuying.solutions has therefore not been able to demonstrate the level of uptake of the Quick Wins, although the records did show an increase in sales of recycled paper. OGBuying.solutions is undertaking website improvements during summer 2005; this presents an ideal opportunity to make the website more user-friendly, and the Quick Wins products simpler to purchase.

3.15 In line with the commitment in the UK sustainable development strategy⁴⁵, work is now underway in the government-sponsored Market Transformation Programme⁴⁶ to extend the list of Quick Win specifications to 53 products. Although 14 of the 20 departments told us they would welcome an extended list of Quick Wins, they would primarily welcome assistance in overcoming the existing practical difficulties with implementation of the present set.

Few departments have established mechanisms to put sustainable procurement into practice

3.16 The SDiG (2004) questionnaire asks whether departments have put in place various mechanisms to support sustainable procurement. The supporting mechanisms featured in the SDiG report are:

- **training and awareness programmes** for procurement teams;
- **environmental risk assessments** to ensure that the most significant impacts of the departments' procurement activity are addressed;
- **data collection, monitoring, evaluation and reporting** of performance; and
- the inclusion of **environmental clauses** in contracts.

Few departments have established these mechanisms. Nevertheless, the proactive approach towards early implementation taken by some departments serves as a model to other departments as they begin to work towards meeting the Framework targets on sustainable procurement (Appendix 1).

The provision of training is rare

3.17 There are a wide variety of issues and processes that procurement teams need to be aware of in order to procure sustainably:

- awareness of the reasons why sustainable development is important and how sustainable procurement can assist;
- understanding of the regulatory framework for sustainable procurement; and
- familiarity with available guidance and best practice processes.

Departments' provision of training and awareness programmes can therefore act as an enabler of progress in other areas. However, only four departments had training or awareness programmes to educate procurement teams about sustainable procurement.

3.18 The programmes of the four departments varied significantly in content and format. For example, the Home Office (**Case example 5**) includes modules on sustainability in its standard procurement training, which is delivered to all procurement officials; whereas the Department of Health conducts a standalone session on sustainable procurement which is aimed at members of the Procurement Policy Unit (**Case example 6**)⁴⁷.

3.19 Given finite resources to deliver training on sustainable procurement, there may be a trade-off between the number of staff being trained in sustainable procurement and the depth of training delivered. From Case examples 5 and 6, we can see that these two departments have opted for different approaches. The Framework targets (Appendix 1) indicate that training on sustainable procurement should be delivered widely: to procurement staff; senior management; and other staff with responsibility for procurement. It may be that these different groups require different training, and that a 'one size fits all' approach is unsuitable.

⁴⁵ The strategy commits the government to 'extend the range of mandated products meeting minimum environmental standards (the 'Quick Wins' list); improve compliance by public sector purchasers and enable suppliers to demonstrate compliance to these standards'.

⁴⁶ The Market Transformation Programme is a Defra initiative that develops policy strategies for improving the resource efficiency of traded goods and services in the UK.

⁴⁷ The other two departments which had a sustainable procurement training programme at the time the SDiG questionnaire was completed are HM Customs and Excise and the Crown Prosecution Service (one of the Law Officers' departments).

CASE EXAMPLE 5

Raising awareness in the Home Office

The Home Office includes a section on environmental issues in procurement as part of its 'Introduction to Procurement' and 'Certificate of Competence in Procurement' courses.

Procurement teams are instructed on:

- the key environmental impacts to be addressed in procurement;
- supplier appraisal; and
- life-cycle costing.

The incorporation of these topics into core training ensures that the message reaches all procurement teams, including those in HM Prison Service⁴⁸.

CASE EXAMPLE 6

Sustainable procurement training in the Department of Health

The Department of Health developed its training on sustainable procurement in collaboration with NHS PASA – one of its executive agencies. NHS PASA has a more advanced approach towards sustainable procurement than the rest of central government, and is therefore in a strong position to assist the Department in following suit.

A standalone training course on sustainable procurement has been delivered to all members of the department's Procurement Policy Unit. It addresses issues such as:

- What is sustainable development and why are environmental issues important?
- How is performance monitored under the Framework for Sustainable Development on the Government Estate?
- How does sustainable procurement fit within the EC procurement rules?
- How to implement Quick Wins?

The training also emphasises how sustainable procurement links with health policy, thereby emphasising its relevance to the Department, and to the individuals receiving the training.

3.20 There is no shortage of opportunities for training on sustainable procurement. Several training courses on sustainable procurement have been offered to central government; for example:

- The National School of Government⁴⁹ and the Procurement Advice and Support Service (PASS)⁵⁰ offer one-day courses.
- NHS PASA developed a training programme in collaboration with the Centre for Research in Strategic Purchasing and Supply (CRiSPS)⁵¹. The course was available to other interested parties.

Departments' uptake of these opportunities, however, is low. The March 2005 National School of Government course, for example, was cancelled due to insufficient interest.

3.21 The low uptake of existing training opportunities should not, however, be taken as an indication that departments have not undertaken any form of training. The national conference on 'Implementing Sustainable Procurement', coordinated by Defra and OGCbuying.solutions in October 2004⁵², was attended by many departments and executive agencies. Departments welcomed this event as an opportunity to share best practice and develop informal peer-group networks. Despite their usefulness in this respect, conferences such as this will still need to be supported by training to ensure that procurement teams are equipped to carry out sustainable procurement effectively.

Formal environmental risk assessments are not applied in practice

3.22 The Framework targets on sustainable procurement state that departments must make a commitment to undertake environmental risk assessments of contracting activity. Accordingly, the SDiG questionnaire asks whether departments incorporate environmental risk assessments into procurement processes. Departments know that they will be required to undertake environmental risk assessments under the new targets, yet guidance on how to do so is scarce. It is not, for example, set out in the Joint Note, and guidance provided alongside the Framework targets on sustainable procurement is very brief (**Figure 6 overleaf**).

48 The Prison Service is the largest executive agency of the Home Office.

49 The National School of Government, previously known as the Centre for Management and Policy Studies (CMPS), is the government's learning and development organisation. It is located in the Cabinet Office's Corporate Development Group. Its training course is entitled 'Introduction to Green Procurement'.

50 PASS training courses are delivered by consultants with expertise in public sector procurement. Its course, entitled 'Delivering Social, Environmental and Sustainable Public Procurement', is delivered with input from the Environment Agency, which has a well-developed approach to sustainable procurement.

51 NHS PASA has a research arrangement with CRiSPS (University of Bath) to investigate links between sustainable development and procurement in the context of the NHS. The training was developed as part of this research.

52 The conference was run by GovNet events and open to members of the private, public and 'third' sectors (charities and non-governmental organisations); though the public sector (central and local government) was most widely represented.

6 Environmental Risk Assessments

The narrative accompanying the Framework targets on sustainable procurement sets out that:

- departments should assess the environmental risks associated with the goods and services they procure;
- departments should cover major spend and high risk areas; and
- a risk based approach ensures that the highest impact issues are tackled.

3.23 We found that 11 departments were not incorporating any form of environmental risk assessment into their procurement processes. Where departments did undertake some form of environmental risk assessment, the adoption of defined methodologies was extremely rare: assessments were predominantly based on procurement officials' professional judgement of environmental risk. This, however, is unlikely to be a fully effective process for assessing environmental risk as many procurement teams are unlikely to be equipped to make sound judgements of environmental risk given the lack of both guidance and departmental training programmes. Departments frequently questioned what such an assessment would involve, suggesting some confusion concerning what is expected of them.

3.24 A well-defined environmental risk assessment methodology is a useful tool so that procurement teams know what is expected of them when undertaking an environmental risk assessment. It can ensure that the priority issues are addressed appropriately, and provide a helpful evaluative format for individuals without specialist knowledge of environmental issues. Some departments – such as the departments which now comprise HM Customs and Revenue⁵³ – have adopted a 'checklist' of environmental issues. This can serve as a basic aide to assessing environmental risk in individual procurement activities, and represents a good first step. However, environmental risk assessments can also have a wider role in prioritising environmental purchasing activity and mitigating risks to an organisation's profile. NHS PASA's methodology (**Case example 7**) incorporates all of these aspects, and is a useful model on which departments could build their own approaches. The Defence Procurement Agency (an executive agency of the Ministry of Defence) is taking an alternative approach in its use of project-orientated environmental management systems (**Case example 8**).

53 Inland Revenue and HM Customs and Excise.

CASE EXAMPLE 7

Application of the 'Green Risk' methodology in NHS PASA

A 'Green Risk' methodology was adopted by NHS PASA in 2002. It aims to:

- prioritise environmental purchasing activity;
- identify and manage the environmental risks associated with each contract; and
- reduce profile risk (the risk of damaging the organisation's reputation) through execution of the contract.

The clearly defined methodology presents three options for appraising environmental risk. Purchasing teams can apply a checklist; a scoring system; or a subjective approach (for which guidelines are supplied). Purchasing teams were given training on the use of the methodology.

Each purchasing team applied the methodology to all contracts in their portfolio in 2002-03, and were then responsible for developing and implementing a 'green risk action plan' to remove or mitigate the environmental risks identified. Progress is reported quarterly to NHS PASA's Management Executive Team.

NHS PASA was keen to emphasise that the real benefits of environmental risk assessment in purchasing only accrue if action is taken to address the high risk areas/contracts that are identified. Otherwise, it is simply a form-filling, tick-box exercise. This is why a green risk action plan, or similar, is important.

Data collection, monitoring, evaluation and reporting on sustainable procurement is not well developed

3.25 The SDiG (2004) questionnaire asks whether departments have a commitment to collect data, to monitor, evaluate and report on performance on procurement activity. We found that only one department was able to answer 'yes' to this question; the 19 other departments had only a partial commitment.

3.26 Few departments went any further than responding to the annual SDiG questionnaire to monitor and report on their progress towards sustainable procurement. However, sustainable procurement covers both more products and a greater range of issues than those included in the SDiG report. The Department for Transport (DfT) has recognised this (**Case example 9**).

CASE EXAMPLE 8

Project orientated environmental risk assessment in the Defence Procurement Agency

Within the Defence Procurement Agency, which has an annual budget of £6 billion, major acquisition projects for new military equipment will be managed using a recently developed project orientated environmental management system (POEMS).

The system has been developed because the Agency has recognised that risk resulting from environmental issues can have many impacts, including:

- increased costs at all life cycle stages including disposal;
- delays to projects and in-service dates;
- legal penalties from breaching regulations;
- clean-up, remediation or compensation costs;
- reputation damage;
- environmental impairment; and
- restrictions upon training or peacetime operations.

The Defence Procurement Agency has therefore designed the system to identify, assess and assist the management of environmental impacts throughout the life of the military equipment it procures, including any development or trials. The system is not yet widely used, but the Defence Procurement Agency believes that it is a helpful method for managing the environmental risks associated with Defence Procurement.

CASE EXAMPLE 9

The Department for Transport's approach to monitoring sustainable procurement - *Greening Operations*

DfT sends an annual 'Greening Operations' questionnaire to each of its operational units and executive agencies. External consultants verify the data submitted in response.

The section on procurement requests more comprehensive data than is required to complete the department's SDiG return. For example:

- which areas of sustainable procurement policy units have had difficulty implementing; and
- which products have been difficult to source sustainably.

Compared to other departments, DfT therefore has a clearer understanding of the challenges faced by its own procurement teams. Their next step should be to act on these findings.

3.27 Many departments limited their monitoring of sustainable procurement to the use of the SDiG mechanism because they were reluctant to make costly changes to existing data collection systems. Some departments felt that the SDiG reporting mechanism (collecting data, which is then collated and reported by Defra) was sufficient for their monitoring and reporting requirements in terms of sustainable procurement. However, other departments questioned the validity of reporting on the procurement of products such as paper and timber when the environmental impact of other procurement (such as vehicles) is far more significant. Officials in these departments saw greater merit in monitoring and reporting on the procurement of their high-impact purchases, but as yet had not begun to do so.

3.28 Data collection and monitoring for sustainable procurement can extend beyond product-based monitoring systems. Working with suppliers to bring about improvements through the supply chain is a good way for departments to further their implementation of sustainable procurement: this is heavily dependent on effective monitoring⁵⁴. Best practice guidance issued by the Institute of Environmental Management and Assessment (IEMA), Chartered Institute of Purchasing and Supply (CIPS) and NHS PASA⁵⁵ suggests that supply chain management is best achieved using key performance indicators. Robust data collection and monitoring systems are integral to the success of such an approach. Should departments opt for a less prescriptive approach, they will still require some form of monitoring system to enable them to work towards the Framework targets, which require departments to consider contract management and supplier engagement. DfT is a good example of a department that is seeking to monitor sustainable procurement in its supply chain management **(Case example 10 overleaf)**.

Departments' approaches to the inclusion of environmental clauses in contracts vary widely

3.29 Under the new Framework targets (Appendix 1), departments must ensure that contracts for the procurement of goods, works and services (including Public Private Partnerships and Private Finance Initiative contracts⁵⁶) include the environmental considerations covered in other sections of the Framework. Departments have some way to go to ensure that this target is complied with.

⁵⁴ Supply chain management is a good way for departments to further their implementation of sustainable procurement, but a detailed consideration of Supply Chain Management is beyond the scope of this work. See, for example, *Environmental Purchasing in Practice* (IEMA/CIPS/NHS PASA, 2002) for further details.

⁵⁵ *Environmental Purchasing in Practice*, IEMA/CIPS/NHS PASA (2002) page 54.

⁵⁶ The extent to which Public Private Partnership and Private Finance Initiative contracts have taken on board sustainability considerations is beyond the scope of this work. See, for example, Green Alliance, PFI: Meeting the Sustainability Challenge, 2004.

CASE EXAMPLE 10

The Department for Transport's approach to monitoring sustainable procurement - *Monitoring suppliers: Improving performance through the supply chain*

The Framework targets (Appendix 1) require departments to draw up a Sustainable Procurement Strategy covering, among other things:

- contract management considerations;
- mechanisms to work with suppliers; and
- an environmental supply chain management programme.

DfT's Procurement and Estates Division recognises that it has little existing capacity to address these requirements and to integrate sustainable procurement into its supply chain management approach. It has identified that it needs to gather more comprehensive data on its suppliers: how suppliers perform in relation to sustainable development objectives, and how their performance can be improved. This data can then be used to build suppliers' capacity to operate in a sustainable manner. As such, DfT engaged consultants to scope the options for doing so, with a view to implementation before the Framework deadline of December 2005.

3.30 The inclusion of environmental requirements in contracts was one area where we saw considerable variation between departments' approaches. Most departments made use of environmental clauses at some stage in the procurement process, though approaches varied in two key ways:

- Departments addressed environmental issues at different stages of the procurement process: some wrote the environmental clauses into the specification; some used environmental criteria at the tender evaluation stage; some included environmental clauses in the terms and conditions of the contract; and some used a combination of these approaches.
- Departments had different opinions about the use of standard clauses: some used standard environmental clauses in all instances; some wrote bespoke clauses according to the nature of the contract; and some used a combined approach.

3.31 Although standard environmental clauses were used by 19 departments, they were rarely comprehensive. In many cases they only addressed topics such as sustainable timber, or a request for a contractor's environmental policy⁵⁷, and rarely addressed the full suite of environmental issues contained in the Framework.

3.32 The SDiG (2004) questionnaire implied that departments should be including standard environmental clauses in all contracts, unless demonstrably inappropriate. We identified widespread uncertainty in departmental procurement teams about what such clauses should address; many departments had called for Defra to issue a set of model standard clauses which they could include in their contracts. However, sustainable procurement specialists from NHS PASA raised concerns about the use of model clauses, because to make each tender exercise as effective as possible, environmental clauses should be tailored to the subject matter of the contract, and the awarding authority. Both OGC and Defra now agree that bespoke clauses are preferable to model clauses, which may not be relevant to every case. In the light of these findings, Defra should update the Framework target entitled 'Standard Environmental Clauses' and the Sustainable Development Commission should amend the SDiG questionnaire accordingly.

3.33 A requirement to write bespoke clauses, rather than using standard environmental clauses, adds an additional layer of complexity. As a result of the lack of sustainable procurement training delivered to central government, many procurement officials may not have the necessary expertise to effectively tailor clauses to the nature of the contract. Defra's Sustainable Development Unit therefore proposes to publish basic guidance and examples of contract clauses that are currently being used by departments on the Framework website by August 2005.

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The production of recycled paper tissue demands less energy and water, and produces less air pollution, than the production of paper from virgin pulp.



<http://www.wasteonline.org.uk/resources/InformationSheets/Paper.htm>

⁵⁷ Departments should take care when requesting generic 'environmental policies' from potential suppliers: if they contain non-relevant information then the Contracting Authority (the department) would be in contravention of EU rules and would be open to complaints.



PART FOUR

Departments face common barriers to sustainable procurement



4.1 Our validation of the general procurement questions in the SDiG (2004) questionnaire concluded that government departments and their executive agencies are making some progress towards sustainable procurement. However, there is still more to be done. In this section we explore the main reasons why – based on information from departments’ procurement teams and sustainable development representatives – sustainable procurement on the government estate is not as advanced as it could be.

4.2 As we recognised in our 2004 report on central government procurement⁵⁸, taking account of environmental concerns and other sustainability objectives increases the complexity of procurement. A range of barriers to sustainable procurement has already been identified by procurement specialists, as set out in Figure 3. However, the extent to which these barriers affect departments’ abilities to procure more sustainably has not previously been explored. We did not know, therefore, whether these barriers were widespread in central government, or whether some barriers were more widely experienced than others. As part of our work we identified all the barriers perceived by procurement teams and sustainable development representatives, and explored those mentioned most frequently.

Procurement teams identified a range of barriers to implementing sustainable procurement

4.3 In total, departmental representatives identified 72 different barriers to sustainable procurement, of which some were more frequently cited than others. During the course of our meetings, individual departments each cited between 4 and 23 different barriers. There is no relationship, however, between the extent of a department’s progress towards sustainable procurement and the number of barriers perceived. Some interviewees cited barriers because they have tried, and failed, to implement processes for sustainable procurement; others use them to explain why they have not yet attempted implementation. In addition, interviewees described experiences both in their own departments, and their perceptions of the problems across government.

4.4 The barriers to sustainable procurement in central government most widely perceived by those procuring goods and services in departments are:

- a **conflict between sustainable procurement and reducing costs**;
- a **lack of leadership** on sustainable procurement;
- a **lack of integration** of sustainable procurement into standard procurement processes, meaning that sustainability issues may not be taken into account;

58 National Audit Office, *Improving Procurement: Progress by the Office of Government Commerce in improving departments’ capability to procure cost-effectively*, HC 361-I, 12 March 2004.

- a **lack of central control** over procurement in departments, meaning that sustainable procurement cannot be enforced; and
- a **lack of knowledge** about what sustainable procurement is and how to achieve it.

4.5 Our findings therefore confirm that many commonly perceived barriers to sustainable procurement are indeed prevalent in central government. However, our findings also diverged from some of the commonly cited barriers (Figure 3) in a number of respects:

- Only three departments cited uncertainty with regard to what can and cannot be done under existing rules (both UK and EC) on public procurement as a barrier to progress. This indicates that guidance about the legality of including sustainability considerations in public procurement⁵⁹ has reached central government procurement teams, and that this barrier is no as longer significant as it may previously have been.
- Procurement teams rarely mentioned barriers relating to organisational inertia. Individuals in four departments expressed the feeling that the environmental impact of their business was low, and that sustainable procurement was therefore not necessary; while only two departments cited a lack of incentives to conduct sustainable procurement as a barrier to progress.
- Only two departments cited risk aversion as barrier to sustainable procurement, both of which felt that innovative approaches are avoided due to risk of failure, and the associated risk of criticism by auditors or the media. This indicates that risk aversion is also a less pertinent barrier than others identified by departments.

Our findings therefore suggest that some of the frequently cited barriers to sustainable procurement may not be as pressing as the barriers identified in Paragraph 4.4 – at least for those responsible for procuring goods and services in departments.

Departments struggle to reconcile sustainable procurement and the need to reduce cost

4.6 The perception (and sometimes the reality) that sustainable procurement costs more than ‘business as usual’ procurement can be a barrier to sustainable procurement. 14 departments noted that reducing procurement costs is perceived to be more important than the drive towards sustainability and, as such, departments were not procuring as sustainably as they could be. Half of these departments specifically noted the Gershon Efficiency Review as the key driver perceived to be behind this view; six departments specifically cited the higher costs of sustainable procurement as a barrier to progress; and nine departments mentioned the need to secure ‘value for money’ in procurement as a barrier to procuring sustainably. Though the majority of interviewees appreciated that value for money does not automatically equate to least cost, as is clearly set out in government policy (Figure 1), the need for value for money was still given as a reason why the less sustainable option was taken during the procurement process. OGC⁶⁰ and the Accounting for Sustainability Group⁶¹ have stated that the two goals of efficiency and sustainability are not incompatible, yet many departments disagree.

4.7 The Joint Note clearly sets out that the government’s policy of achieving value for money in procurement applies to the award stage of the procurement process, and that it is for departments to decide what to put in the specification. This clarification should make it easier for departments to include sustainability criteria in the procurement process, even if this results in increased costs to the department. In reality, as described in Part 2, departments’ commitment to following the Joint Note is not as widespread as the SDiG (2004) report might suggest, and so procurement teams may not yet fully appreciate that it is acceptable to pay more for the sustainable option.

59 See, for example: Interpretive communication of the Commission on the Community law applicable to public procurement and the possibilities for integrating environmental considerations into public procurement (2001/C 333/07).

60 www.ogc.gov.uk/embedded_object.asp?docid=1002752

61 Accounting for Sustainability Group, Realising Aspirations – Or, Using Value for Money to Make the Public Sector More Sustainable, May 2005.

4.8 Procurement teams discussed the following ideas for overcoming the uncertainty surrounding the acceptability, or otherwise, of paying more for sustainable procurement:

- Justifying sustainable procurement to budget holders on the basis that it can lead to cost savings. The use of imaginative thinking at the early stages of the procurement process, or the use of whole life costing to demonstrate savings in the long term, can support this approach (**Case example 11**).
- Providing a clear mandate to budget holders and procurement teams that it is acceptable to pay more for sustainable options. Such a mandate has already been provided for timber procurement, but not for procurement in general.

CASE EXAMPLE 11

HM Prison Service

HM Prison Service needs to ensure that individuals appear in court. The traditional approach to meeting this need is to let a transport contract to transport the individuals as required. One prison adopted a different solution: by installing video conferencing suites at the prisons which were linked to the courts. This solution provided value for money, as well as also representing good environmental practice.

4.9 One way of addressing the higher initial costs of sustainable procurement is by using whole life costing (also known as life cycle costing) which is an analysis of the full cost to a contracting authority of meeting a requirement. If procurement teams were to use whole life costing in the purchase of a piece of machinery, for example, the procurement decision would be based not just on the initial purchase price, but also its running costs, maintenance demands and final disposal costs. The Joint Note describes whole life costing as ‘a key part of a sustainable procurement strategy as well as a key component in achieving value for money’, and we have emphasised the benefits of whole life costing in our previous reports⁶². However, we found that whole life costing is rarely applied by departments. Procurement teams in eight departments expressed difficulty in applying the principle of whole life costing. They identified the following problems:

- Uncertainty about how to estimate whole life costs and inability to justify whole life cost calculations with confidence: it is difficult to justify the purchase of a more expensive product in the absence of any definitive evidence on the amount which will be saved as a result of greater efficiency over the life of the product.
- There is no incentive for individuals to consider whole life costs. The budget holder responsible for purchasing a piece of equipment, for example, is often not responsible for the maintenance or running costs. Procurement teams commented that this separation of budgets reduced the motivation of teams within a department to apply whole life costing in practice.
- Whole life costing is not always accepted by departments as a justification for the higher initial cost of a purchase. One department commented that the finance team must also buy in to the concept of whole life costing, as well as the procurement team, in order for it to succeed.
- Short-term budgetary cycles dictate that the cost of purchases must come out of the budget for the current year. Procurement teams feel that this leaves them little scope to consider whole life costs, especially given the drive to deliver immediate efficiency savings.

4.10 Detailed guidance on life cycle costing reissued in March 2005 by OGC in its Successful Delivery Toolkit should help to address some of the issues raised⁶³. Nevertheless, there is still a need for greater understanding and acceptance of the validity of whole life costing at every level, which will necessitate a significant culture change in long-term planning and budgeting, if it is to be used to help deliver sustainable procurement.

Electrical products

Electrical products such as washing machines, fridges and freezers labelled with a ‘class A’ EU energy label use less energy than other models.



⁶² See, for example: National Audit Office: Improving Public Services through Better Construction, HC 364, 2004-05, 17 March 2005, page 13-15.
National Audit Office: Modernising Construction, HC 87, 2000-01, 11 January 2001, page 12.

⁶³ <http://www.ogc.gov.uk/sdtoolkit/reference/delivery/lifecycle/lifecyclecosting.html>

There is a need for stronger leadership on sustainable procurement

4.11 Nine departments commented that there was, at present, insufficient leadership on sustainable procurement, both in government as a whole and within individual departments. This attitude indicates that it is unclear to departments what approach they should be taking, and that stronger leadership may be required.

4.12 Pertinently, the government has highlighted measures relating to sustainable procurement as an important part of the UK's new sustainable development strategy: the government intends to make the UK a leader in sustainable procurement in Europe by 2009⁶⁴ and a high profile Sustainable Procurement Task Force has been established to drive this forward. This may indicate to departments that sustainable procurement is a priority on the government's sustainable development agenda, and thus address some of the procurement teams' concerns that government leadership on sustainable procurement was lacking. However, UK strategy measures do not necessarily provide a solution to the perceived lack of senior buy-in and leadership on sustainable procurement at a departmental level.

4.13 A clear and well communicated departmental sustainable procurement policy could indicate a senior level commitment within departments to procuring more sustainably. However, seven of the nine departments citing a lack of senior level commitment already have such policies in place. This indicates that many departments' existing environmental purchasing policies do not provide sufficient indication to procurement teams of senior commitment to this agenda; or that there is a gap between commitment in theory and turning this into sustainable procurement in practice.

4.14 Those responsible for sustainable procurement may not be sufficiently senior within departments to influence performance and attitudes. The sustainable development leads in six departments, for example, commented that they are unable to exert sufficient influence to enforce the implementation of existing environmental purchasing

policies. This is particularly pertinent because departments must now draft sustainable procurement strategies - in accordance with the Framework targets (Appendix 1) - which must include an environmental purchasing policy. Our findings suggest that, in order for departments' new sustainable procurement strategies to be effective, both the strategies and the related policies must clearly state commitment to implementation at a senior management level within departments.

Sustainable development is not yet integrated into the day to day business of procurement

4.15 One of the overarching barriers we identified is the view that sustainable development as a whole is peripheral to the 'real' work of running a government department. This inevitably has a knock-on effect to the extent to which aspects of sustainable development - such as sustainable procurement - are integrated within departments' business. Nine departments said that sustainable development is not core business for their department. This perception may be linked to the tone set by management: seven of the nine also said that there was a lack of top down management commitment to sustainable procurement in their departments.

4.16 We identified a positive correlation between the perception that sustainable development is not a priority for the department and the perception that there are not enough resources to further sustainable procurement in the department. Eight of the nine procurement teams which said that sustainable development was not core business for their department also said that they had insufficient resources to devote to sustainable procurement. (In total, 14 departments said that implementation of sustainable procurement was hampered by a lack of resources.) This does not mean that the allocation of additional resources to departments would necessarily lead to improvements: management commitment to driving beneficial changes is also required.

64 Securing the Future - UK Government sustainable development strategy, March 2005.

4.17 Departments highlighted the need for sustainable development to become integrated into the everyday running of departments, so that it is not seen as a separate and peripheral concern. For sustainable procurement, this means incorporating sustainability considerations into every part of the procurement process: from identifying the procurement need right through to contract management. This might mean, for example, that sustainability would form an integral part of the Gateway Review Process⁶⁵. OGC is presently reviewing its policies and guidance, including the Gateway Review Process, and will be appraising them against the five principles of sustainable development as set out in the UK sustainable development strategy. This review presents a timely opportunity for OGC to respond to departments' concerns about the integration of sustainable development considerations into standard procurement processes.

The decentralisation of procurement activity makes sustainable procurement more difficult to implement

4.18 Procurement is not centrally controlled within many departments: local procurement teams, executive agencies and third party contractors (such as departments' Facilities Management companies) may all have their own approaches to procurement. This decentralised approach was identified by 11 departments as a barrier to implementing sustainable procurement.

Paint

Volatile organic compounds (VOCs) have potential health impacts and also contribute to the formation of ground level ozone. Paints and varnishes with a low level of VOCs can now be purchased.



<http://www.defra.gov.uk/environment/statistics/airqual/aqvoc.htm>

4.19 Most departments have central procurement teams. However, their role is often limited to setting policy, providing advice, managing some large central contracts and, in some cases, authorising expenditure over a certain threshold. Responsibility for undertaking procurement largely rests with divisional managers or decentralised procurement teams.

4.20 Though the department as a whole may have policies or commitments relating to undertaking procurement in a sustainable manner, decentralised responsibility for procurement activity can pose several problems for the implementation and enforcement of sustainable procurement:

- Central policy teams have a purely advisory role and so find it difficult to enforce departmental procurement policy in decentralised procurement teams. For example, centrally established frameworks and call-off contracts, which may incorporate sustainability considerations, may not always be used by decentralised procurement teams.
- In most departments, the central policy team has little or no influence over procurement by associated bodies. In many cases, executive agencies manage their own procurement, although they may obtain advice from the procurement team in the parent department.
- Members of small, decentralised procurement functions are less likely to have professional procurement training or expertise in sustainable procurement. Central guidance and training opportunities on sustainable procurement do not always reach the people who are actually responsible for procurement on a day-to-day basis.
- Data collection and evaluation, monitoring and reporting of progress towards sustainable procurement is challenging when procurement activity is decentralised. Departments find it hard to collect accurate procurement data from a large number of different sources. As such, departments' awareness of what is being procured, and by whom, is lower than central procurement teams would like, and the resultant lack of knowledge about what is being procured is seen by these teams as a barrier to implementing sustainable procurement (**Case example 12 overleaf**).

65 <http://www.ogc.gov.uk/index.asp?id=377>

CASE EXAMPLE 12

Problems with data collection in the Department for Education and Skills

Like many departments, the Department for Education and Skills (DfES) has a Commercial Purchasing Team which offers advice and guidance to DfES' devolved buying teams.

Only one per cent of the Department's expenditure is centralised: this relates to the running costs of buildings, the purchase of stationery, and so on. The remaining 99 per cent is 'programme spend' which is used to deliver the Department's policies to the public. Responsibility for this expenditure rests with decentralised teams, which have their own devolved budgets.

The main problem which procurement specialists at DfES have with this level of devolved responsibility is that it is very difficult to get information about the programme spend, for example in order to complete the SDiG questionnaire. Data is only readily available for DfES' central teams.

4.21 These problems are not unique to sustainable procurement: our findings echo many of those of the Gershon Efficiency Review⁶⁶ on public sector procurement as a whole. In particular, the Efficiency Review identified a lack of centralised oversight and control over procurement, especially in departments where expenditure was significant. The Efficiency Review also found that too much public sector procurement was being carried out without professional support. As the Accounting for Sustainability Group described, sustainability was not featured in the Efficiency Review, yet the recommendations offer increased opportunities to mainstream sustainable procurement⁶⁷. The Efficiency Review recommended increased central control through 'enhanced scrutiny, monitoring and accountability arrangements' and a requirement that all public sector procurement should have the direct support of a procurement professional or should be carried out through a process (framework, procurement card or catalogue) put in place by a procurement professional. The recommendations of the Efficiency Review, if implemented in full, have the potential to assist central procurement teams in rolling out sustainable procurement across their departments.

Sustainable procurement is hampered by a lack of knowledge

4.22 Underpinning many of the barriers identified so far is a lack of knowledge about sustainable procurement within central government. Procurement staff from 16 departments felt they had insufficient knowledge in their department to deliver sustainable procurement effectively. Some noted a general lack of understanding of why sustainability in procurement is important. Others identified specific issues, such as not having the skills to write sustainability clauses into specifications or contracts. This is not surprising given the finding in our 2004 report that less than a quarter of procurement staff are fully qualified⁶⁸.

4.23 Training and guidance could be used to address this knowledge and skills gap. However, as we highlighted in Part 3, the provision of training on sustainable procurement is rare and awareness of even the key pieces of guidance, such as the Joint Note, is low in some departments.

Departments have not prioritised the delivery of training on sustainable procurement

4.24 Departments which have identified a lack of knowledge as a barrier to moving sustainable procurement forward have not, however, prioritised training on sustainable procurement: of the seven departments which cited problems with training, five of them did not have any training under way or planned. Through our discussions with departments, we identified two key barriers to providing training on sustainable procurement:

- **Procurement teams are not aware of the training opportunities which exist.** Two departments asked the NAO to provide more information on providers of training in sustainable procurement. Four departments said that sustainable procurement training should be provided centrally, as this would ensure that staff in all departments would have the same understanding of the requirements of

⁶⁶ HM Treasury, *Releasing Resources to the front line – independent review of public sector efficiency*, July 2004.

⁶⁷ Accounting for Sustainability Group, *Realising Aspirations – Or, Using Value for Money to Make the Public Sector More Sustainable*, May 2005.

⁶⁸ National Audit Office, *Improving Procurement: Progress by the Office of Government Commerce in improving departments' capability to procure cost-effectively* HC 361-I, 2003-2004, 12 March 2004, page 10.

sustainable procurement. However, as shown in Part 3, the National School of Government already provides a one day introduction to green procurement as well as a one day course on sustainable development in government but the level of interest in these courses has been low.

- **Departments do not have the resources to deliver training on sustainable procurement.** Sustainable procurement is often not regarded as part of the department's core business and hence resources are not allocated to its delivery.

4.25 Many departments suggested that sustainable procurement training should be included as a more comprehensive element of the professional qualifications for the Chartered Institute of Purchasing and Supply (CIPS)⁶⁹, which would ensure that a higher proportion of procurement professionals throughout the public sector received training on this subject than do currently. However, such a change would have to be driven by CIPS and, though it would undoubtedly increase awareness of sustainable procurement, would not assist departmental procurement staff who already possess the CIPS qualifications⁷⁰, or are not encouraged by departments to work towards them. As stated in our 2004 report⁷¹ only 11 per cent of central government's procurement staff are training for qualifications, which suggests including sustainable procurement in CIPS qualifications would not necessarily lead to a significant improvement of knowledge on sustainable procurement in departments in the short term.

4.26 The Accounting for Sustainability Group also identified the need to improve skills on sustainable procurement. The Group therefore recommended that the Sustainable Procurement Task Force could include in its national action plan the objectives of increasing the provision of training and maximising its uptake⁷². Our findings also indicate that stronger leadership on sustainable procurement and senior buy-in within departments are necessary prerequisites to tackling the issue of training provision: departments must first allocate the necessary resources to enable such training to be undertaken.

Departments find current guidance on sustainable procurement insufficient

4.27 Despite the fact that there is a large amount of written guidance on sustainable procurement, much of which is available in electronic form on the Sustainable Development in Government website⁷³, ten departments cited insufficient guidance as a barrier to implementing sustainable procurement. Procurement teams were frequently uncertain about the sources of up to date information. Perhaps as a result of this, most departments rely on the Joint Note and their own internal documents for guidance, and only a small number of departments mentioned that they used additional guidance⁷⁴.

4.28 As described in Part 1, the Joint Note is a key piece of guidance for departments on sustainable procurement, and the majority of departments were positive about its content and presentation. Members of procurement teams commented that it was well written and helpful, very clear, and successful in distilling other guidance into one manageable and useful document. One department commented that the Joint Note had helped to raise the profile of green issues in purchasing, and another said that it had been a helpful driver in getting a new departmental sustainable procurement policy drafted.

4.29 However, the effectiveness of the Joint Note is limited by the fact that it is voluntary rather than mandatory, making it difficult for central procurement teams to ensure that those to whom day-to-day responsibility for procurement is devolved are actually implementing its provisions. Departments also criticised the Joint Note for not providing enough information, with environmental risk assessment a particular area of concern. Our validation of responses to the SDiG questionnaire showed that understanding and application of risk assessment was low, with more than half of departments not incorporating any form of environmental risk assessment into their procurement process. Guidance could help to address this. In addition, departments commented that they would benefit from more 'sector specific' guidance and more guidance on how sustainable procurement affects the delivery of government policy.

69 CIPS provides guidance on sustainable procurement to its members via its website and occasional training sessions, and ethical and environmental aspects of purchasing are covered in some CIPS modules for the CIPS graduate diploma (by which members can attain professional accreditation). However, sustainable procurement is not a core element of the diploma.

70 CIPS has approximately 1000 members within central government. <http://www.publications.parliament.uk/pa/cm200405/cmselect/cmenvaud/266/5030201.htm>

71 National Audit Office, *Improving Procurement: Progress by the Office of Government Commerce in improving departments' capability to procure cost-effectively*, HC 361-I, 2003-2004, 12 March 2004, page 10.

72 *Realising Aspirations – Or, Using Value for Money to Make the Public Sector More Sustainable*, Accounting for Sustainability Group, May 2005.

73 <http://www.sustainable-development.gov.uk/delivery/integrating/estate/estate.htm>

74 Departments indicated that the following were used as additional sources of information about sustainable procurement: Improvement and Development Agency (IDeA); NHS PASA; Environment Agency; Market Transformation Programme; Institute for Environmental Management and Assessment.

4.30 The website for the Framework for Sustainable Development on the Government Estate, managed by Defra, is a key source of guidance on sustainable procurement – yet less than half of the departments referred to it for additional guidance. It has, however, been revised since our interviews with departments, and we are therefore unable to comment on how useful it is now perceived to be within departments.

4.31 The central role of OGC in public procurement suggests that its website may also be a logical location for additional guidance on sustainable procurement. However, the OGC website contains little information on sustainable procurement, and the relevant documents (such as its guide to sustainability considerations in construction⁷⁵) are difficult to identify unless you are familiar with the site content. The OGCBuying.solutions website, however, does have an ‘Environmental Zone’ with basic information and practical tips, as well as an outline of the Quick Wins. Departments indicated that the provision of additional information on Quick Wins would be helpful, as:

- Departments find Quick Wins difficult to locate on the OGCBuying.solutions website (as described in Part 3).
- Departments do not have access to enough information on cost competitive Quick Wins. The example products listed on the OGCBuying.solutions website do not offer good value for money in relation to similar products (meeting the Quick Win specifications) on the market.

4.32 Defra and OGCBuying.solutions are currently seeking to address these problems through a pilot Sustainable Solutions website, which aims to provide guidance, product information and purchasing facilities in a single location. This site is in the early stages of development and will need to be widely publicised among government procurement practitioners in order to have an impact on sustainable procurement. Departments indicated that a dedicated website would be helpful and, as highlighted by the Environmental Audit Committee in its recent report⁷⁶, this would be a step in the right direction towards the effective dissemination of information on sustainable procurement. In addition, the government’s new sustainable development strategy promises a new information service, ‘Environment Direct’, to provide product information and guidance to both individual consumers and procurement professionals. The Committee also welcomed this suggestion, but was quick to point out that this website should not be seen to meet the requirement for a dedicated website for public procurement professionals.

75 Office of Government Commerce, *Achieving Excellence in Construction guide 11: Sustainability (AE11)*, March 2005.

76 House of Commons Environmental Audit Committee, *Sixth Report of Session 2004–05, Sustainable Public Procurement*, HC 266, 13 April 2005.



APPENDIX ONE

Procurement targets under the Framework for Sustainable Development on the Government Estate

The following targets were set in October 2004 under the Framework for Sustainable Development on the Government Estate. They apply to all government departments and their executive agencies.

F1 - By 1 December 2005 each Government Department* will draw up a Sustainable Procurement Strategy, or review that which is already in place. This must cover:

- an environmental purchasing policy;
- mechanisms for integrating the environmental purchasing policy, and other relevant sustainable development policy requirements into procurement activities;
- a commitment to undertake environmental risk assessments of contracting activity;
- mechanisms to work with suppliers and develop and implement an environmental supply chain management programme;
- systems to take account of Government-wide initiatives and guidance;
- mechanisms for measuring and reporting on progress;
- an Action Plan for taking the Strategy forward, identifying key milestones and stakeholders, also specifying how the Department will meet the objectives of the strategy; and,
- identification of management structure and resources (staff and budget) required.

* Executive Agencies should either prepare their own Strategy or be included within the sponsor Department's Strategy.

F2 - Where it is legitimate and in accordance with the Joint Note on Environmental Issues in Purchasing, Government Departments should include clauses relating to environmental considerations in all contracts for goods, works and services initiated on or after the publication of Departmental strategies for this Part. These clauses should be for the life of the contract and should ensure that the end-product or service is in full compliance with the suite of targets in the other sections of the Framework. This target applies to all contracts including partnership contracts, such as PPPs and PFIs; in developing contracts Departments should include the principles laid out in relevant documents such as Green Public Private Partnerships⁷⁷.

F3 - Government Departments should develop and implement an appropriate training and awareness programme on sustainable procurement for:

- procurement staff;
- senior management;
- other staff with responsibility for procurement.

⁷⁷ Green Public Private Partnerships (2002) Office of Government Commerce, Office of the Deputy Prime Minister, Department for Transport, and the Department for the Environment, Food and Rural Affairs.

APPENDIX TWO

Criteria applied to standardise departments' responses

Our analysis of the shortcomings of the general procurement section of the SDiG (2004) questionnaire, and the criteria applied to standardise departments' responses, is set out below. Unless otherwise specified, 'the department' refers to the department and its executive agencies.

SDiG Question	Shortcomings of question	Criteria applied to standardise departments' responses		
		Yes	In Part/Planned ⁷⁸	No
Do you have an environmental purchasing policy?	Not applicable	<p>Specific mandate/guidance document on how environmental issues are to be considered in the purchasing process</p> <p>(e.g. procurement strategies or manuals; environmental policies; sustainable development strategies or policies; or environmental management systems).</p>	No 'in part' response available.	No guidance documents on how environmental issues are to be considered in the purchasing process.
Do you have standard environmental clauses to be inserted in all contracts unless they are demonstrably inappropriate?	<p>Departments writing bespoke clauses rather than using standard clauses may answer 'No' to this question, which implies that they have not made progress towards this criterion.</p> <p>The question also refers solely to the inclusion of clauses in contracts, despite the fact that many departments feel that it is more appropriate to consider environmental concerns at other stages of the procurement process (such as within the specification or tender evaluation process) rather than within contracts.</p>	Environmental clauses (standard or bespoke) written into contracts, or into specifications.	No 'in part' response available.	Environmental clauses not written into either contracts or specifications.
Do you have a commitment to purchase goods and services which meet the minimum standards outlined in the October 2003 Quick Wins list or successor documents?	<p>Departments are unclear what a 'commitment' is, and whether the commitment relates to action now or in the future.</p> <p>Departments are also unclear what an 'In part' response would mean.</p>	<p>Instructions that the Quick Wins should be followed are communicated to procurement staff (documented), or set out in policies; strategies; manuals; intranet sites; training programmes</p> <p>or</p> <p>one or more of the Quick Wins applied in practice.</p>	Executive agency(ies) have a commitment to the Quick Wins (according to the 'yes' criteria) but the department does not.	<p>No commitment to using the Quick Wins</p> <p>or</p> <p>commitment relates to implementation at some point in the future (undocumented).</p>

SDiG Question	Shortcomings of question	Criteria applied to standardise departments' responses		
		Yes	In Part/Planned ⁷⁸	No
Are environmental risk assessments incorporated into all procurement processes?	Departments are unclear what an 'In part' response would mean.	Documented process or methodology for undertaking environmental risk assessments in procurement.	Requirement to undertake environmental risk assessments documented in a policy/strategy/manual/communication to procurement staff, but no guidance given on how to do so or procurement staff apply professional judgement in assessing environmental risk in procurement, and can prove that this has been applied in practice.	No environmental risk assessments for procurement processes.
Does your Department have a commitment to follow best/recommended practice as set out in the Joint Note on Environmental Issues in Purchasing, and in similar Notes on Innovation and Social Issues in Purchasing when these are developed?	Departments are unclear what a 'commitment' is, and whether the commitment relates to action now or in the future. Departments are also unclear what an 'In part' response would mean.	Department has documented its commitment in a policy/strategy/manual/intranet site/training programme or communicated to procurement staff that the Joint Note should be followed or can prove that the concepts described in the Joint Note are used throughout the procurement process.	Executive agency(ies) have a commitment to following the Joint Note (according to the 'yes' criteria) but department does not or department can prove that the concepts described in the Joint Note are used in some aspects of the procurement.	No commitment to following the Joint Note or commitment relates to implementation at some point in the future (undocumented).

SDiG Question	Shortcomings of question	Criteria applied to standardise departments' responses		
		Yes	In Part/ Planned ⁷⁸	No
Does your Department have a commitment to collect data, to monitor, evaluate performance and report on procurement activity?	<p>The question does not specifically mention sustainable/ environmental procurement: departments can justifiably answer 'yes' even where they are have not addressed sustainability in monitoring, reporting, etc.</p> <p>Departments can interpret a 'yes' or an 'in part' answer in different ways. For example, many departments answered 'yes' solely because they have completed the SDiG return; whereas some departments responded 'in part' if they had not addressed all four of the parts of this question (data collection; monitoring; evaluation; and reporting).</p> <p>Departments are unclear what a 'commitment' is, and whether the commitment relates to action now or in the future.</p> <p>Departments are also unclear what an 'In part' response would mean.</p>	Further action taken beyond responding to the SDiG (2004) questionnaire in one or more of the four aspects (data collection; monitoring; evaluation; or reporting).	Action limited to a response to the procurement section of SDiG (2004) questionnaire or commitment relates to implementation at some point in the future (documented).	Incomplete response to the procurement section of SDiG (2004) questionnaire or commitment relates to implementation at some point in the future (undocumented).
Have you developed and implemented a training and awareness programme for staff connected in any way with procurement activities?	The question does not specifically mention sustainable/ environmental procurement. Departments can justifiably answer 'yes' even where they are have not addressed sustainability in training.	Some form of training programme in operation.	Some form of training programme is planned (documented).	No form of training delivered or planned.

78 The 'planned' answer applies only to the question on training and awareness.

APPENDIX THREE

Departments covered under the Sustainable Development in Government report

CO	Cabinet Office
DCA	Department for Constitutional Affairs (formerly the Lord Chancellor's Department)
DCMS	Department for Culture, Media and Sport
Defra	Department for Environment, Food and Rural Affairs
DfES	Department for Education and Skills
DfID	Department for International Development
DfT	Department for Transport
DH	Department of Health
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
ECGD	Export Credits Guarantee Department
FCO	Foreign and Commonwealth Office
HMCE	HM Customs and Excise (merged with IR in April 2005 to form HM Revenue and Customs)
HMT	HM Treasury
HO	Home Office
IR	Inland Revenue (merged with HMCE in April 2005 to form HM Revenue and Customs)
LOD	Law Officers' Departments ⁷⁹
MOD	Ministry of Defence
ODPM	Office of the Deputy Prime Minister
ONS	Office of National Statistics

⁷⁹ LOD comprises: The Crown Prosecution Service, the Serious Fraud Office, the Treasury Solicitor's Department (together with the Legal Secretariat to the Law Officers) and HM Crown Prosecution Service Inspectorate. Our audit focused on the Crown Prosecution Service, which is largest of these departments.