



National Audit Office

BRIEFING FOR THE
HOUSE OF COMMONS
ENVIRONMENTAL AUDIT
SELECT COMMITTEE

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Sustainable procurement in government

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Summary

Background

1 In 2011-12, central government procured goods and services from 220,000 suppliers to the value of £44 billion¹, giving it unparalleled buying power in the UK. In May 2010, the Prime Minister announced that he wanted his government to be the "greenest government ever". The Government introduced four "Greening Government Commitments" in February 2011 to meet a range of targets to reduce its environmental impact by 2015. The fourth commitment focuses on sustainable procurement and states that government will buy more sustainable and efficient products and engage with its suppliers to understand and reduce its supply chain impacts.

2 There is no single definition of sustainable procurement but in 2006 the Sustainable Procurement Task Force defined it as "a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment."² The Department for Environment, Food and Rural Affairs (DEFRA) and the Cabinet Office work together on sustainable procurement.

3 In December 2012, the Cabinet Office Minister for Political and Constitutional Reform, wrote to departments to emphasise the importance of value for money in public procurement. The letter informs departments that they should only pursue wider policy objectives where they are directly relevant to what is being procured. Greening government and the Government Buying Standards are mentioned as an example of where it may be appropriate to pursue wider policy objectives.

Work by the National Audit Office and the Committee on sustainable procurement

4 The Environmental Audit Committee last reported specifically on sustainable procurement in March 2006³, to inform the development of the previous Government's

¹ HM Treasury, *Public Expenditure Statistical Analysis*, July 2012. (This figure excludes expenditure through the National Health Service).

² DEFRA, *Procuring the Future, Sustainable procurement national action plan: recommendations from the Sustainable Procurement Task Force*, June 2006, available at: <http://www.defra.gov.uk/publications/files/pb11710-procuring-the-future-060607.pdf>

³ HC 740 House of Commons Environmental Audit Committee, *Sustainable Procurement: the Way Forward*, March 2006

Action Plan on sustainable procurement. The Committee called for the Action Plan to address confusion over leadership recommending specifically that the Chief Secretary to the Treasury should lead on sustainable procurement, that there should be a new target to drive sustainable procurement, and that there should be annual reporting to Parliament and departmental champions at an appropriately senior level. The Committee also called for there to be targets on sustainable procurement for local authorities and improvements to the promotion and dissemination of good local practice.

5 In 2009, the National Audit Office reported that the Government's primary sustainable procurement objective – to be recognised as a leader across EU member states by 2009 – had not led to quantifiable targets, and that the Government had not defined how it would assess whether it had achieved its goal. Furthermore, not all departments were complying with mandatory sustainable procurement standards and few had systems in place to monitor compliance adequately.⁴

6 The Environmental Audit Committee has continued to review the Government's progress in its more recent reports on greening government and the green economy. In October 2010, the Committee called for a clear architecture for sustainable development that described how the Government's sustainability goals would be implemented and monitored, and how responsibilities would be distributed between departments. The Committee concluded that DEFRA was not best placed to drive sustainability improvements across government and recommended an enhanced Cabinet Office role to provide greater political leadership. This should be achieved through:

- appointing a new minister for sustainable development in the Cabinet Office;
- a Cabinet Committee to oversee departmental performance and encourage more sustainable decision-making across Whitehall;
- relevant DEFRA staff transferring to the Cabinet Office.

It also called for the Treasury to play a more committed supporting role including the possible use of sanctions against poorly performing departments.⁵

7 This briefing has been prepared in response to a request from the Environmental Audit Committee for an update on the Government's sustainable procurement commitments and its progress against those commitments. Part One explains what sustainable procurement is and the Government's commitments in this area. Part Two

⁴ Comptroller and Auditor General, *Addressing the environmental impacts of Government procurement*, April 2009. Available at: http://www.nao.org.uk/publications/0809/addressing_the_environmental.aspx

⁵ House of Commons Environmental Audit Committee, *Embedding sustainable development across Government*, January 2011. Available at: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmenvaud/504/50402.htm>

6 Summary Sustainable procurement in government

reviews progress and sets out the challenges faced by departments in achieving the Government's sustainable procurement objectives.

8 Our methodology was designed to complement DEFRA's work in preparing its annual report on progress with the Greening Government Commitments.⁶ Further details of our methodology for the briefing are provided in Appendix One. In summary, our methods included:

- interviews with officials in the Cabinet Office and DEFRA;
- a workshop discussion with departmental procurement and sustainability practitioners;
- a literature review, including information on the Government's sustainable development website;
- review of departmental websites and the 15 departmental annual reports and accounts that were published before the summer recess in 2012.

Key Findings

9 In December 2011, a Cabinet sub-committee (the Greening Government sub-committee) was established to oversee the implementation of, and reporting on, the Greening Government Commitments. This sub-committee is jointly chaired by ministers from DEFRA and the Cabinet Office, with a Department for Transport minister as the Deputy Chair. Departments remain individually responsible for meeting the commitments and reporting progress. Following the abolition of the Green Government Unit and the post of Chief Sustainability Officer in 2011, it was agreed that DEFRA would seek to drive delivery of sustainable procurement with the assistance of the Cabinet Office and the Government Procurement Service. DEFRA would also publish, with the Cabinet Office, an annual cross-government progress report on the Greening Government Commitments.

10 The Government Procurement Service was created in July 2011 as an executive agency of the Cabinet Office, replacing Buying Solutions, an executive agency of the former Office of Government Commerce. It has a key role to play in the wider reform strategy for government procurement and one of its 10 key objectives, as set out in its 2011-12 Annual Report, is "to promote and facilitate effective access to a range of sustainable and 'environmentally friendly' products and services wherever possible in its business activities".⁷

⁶ HM Government, *The Greening Government Commitments: Annual report on government departments' progress against 2015 targets in 2011-12*, December 2012. Available at: <http://www.defra.gov.uk/publications/files/pb13846-greening-government-commitments.pdf>

⁷ <http://gps.cabinetoffice.gov.uk/sites/default/files/images/854-12%20Annual%20Report%20%26%20Accounts%20201112.pdf>

11 The Greening Government Commitments commit the Government to apply the Government Buying Standards, which set technical specifications and contract award criteria for a wide range of products and services, to departmental and centralised procurement. DEFRA has made slower progress than expected in developing new Government Buying Standards and updating the existing standards. It attributes this in part to its decision to refocus on working with the Government Procurement Service on existing standards rather than developing new ones, and is seeking support from other departments to accelerate this work, for example from the Department for Transport on vehicle standards.

12 There has been limited monitoring of the extent to which departments' procurement has met Government Buying Standards. In 2012, DEFRA reported that it was difficult to assess the extent to which departments purchased products meeting Government Buying Standards as not all departments collected the necessary information. DEFRA and the Cabinet Office are working to improve reporting across government.

13 The Greening Government Commitments include engaging with suppliers to understand and reduce environmental and sustainability impacts down the supply chain. To assist departments with this, the Government Procurement Service has made a number of supply chain tools available for departments to track their impacts.

14 The Government Procurement Service has 117 central procurement frameworks that set out procurement specifications, list suppliers and offer standard contract terms and conditions to reduce procurement costs to users of the frameworks. It also has catalogues which departments can use to buy common products. The Government Procurement Service estimates that Government Buying Standards are relevant to 23 of its 117 frameworks and are incorporated in all of these in some way. The remaining frameworks cover goods and services for which there are no Standards. The Government Procurement Service is working with DEFRA to build the Government Buying Standards into relevant procurement exercises, further develop the Standards and improve engagement with suppliers. It has also undertaken work to establish the impacts of a priority list of suppliers under its centralised procurement frameworks.

15 The Government Procurement Service marks products in its catalogues that are compliant with the Government Buying Standards with a "green tick", but Departments told us they lack confidence in the green tick scheme. The Government Procurement Service is reviewing its approach to providing products through central catalogues and the green tick scheme in the light of the increasing number of electronic catalogues. It expects to complete this review by March 2013.

16 The Green Government Unit set out a wide range of sustainable procurement reporting requirements for departments but reporting has been limited. Initial arrangements for central collection of data from departments were scaled down in 2011-12 to ensure the reporting burden on departments was proportionate and feasible. Departments have provided limited information on their procurement approach in their annual reports in response to Treasury annual reporting guidance,

and very few are complying with the requirements to disclose their compliance with Government Buying Standards and other procurement practices on their websites.

17 Departments' procurement and sustainability practitioners told us that frequent changes in the governance arrangements for sustainable procurement had resulted in increased uncertainty over requirements and difficulty in finding relevant guidance. Some also felt that they required a stronger central mandate to help them encourage adoption of sustainable procurement within their departments. They reported little sharing of information and resources between departments, with the result that good practice developed in individual departments is rarely shared. In May 2012, DEFRA established a Practitioners' Forum and, in July 2012, relaunched the Sustainable Procurement Project Board to facilitate the sharing of experience and good practice.

Areas of interest to the Committee

18 The Committee may wish to consider the following issues arising from this briefing:

- whether the governance arrangements for sustainable procurement, with DEFRA having responsibility for driving sustainable procurement delivery with the assistance of Cabinet Office and Government Procurement Service, and Cabinet Office having overall responsibility for government procurement policy, provide adequate leadership to ensure sustainability is taken into account in government's procurement practices;
- whether the Government could do more to clarify and reconcile the different elements of its procurement policies, including cost savings, achieving growth and sustainability;
- whether DEFRA's progress in developing and maintaining Government Buying Standards is sufficient to ensure the standards are robust enough to address sustainability concerns and keep up to date with product developments;
- whether the Government Procurement Service's progress in promoting sustainability considerations in its central procurement frameworks and catalogues is sufficient to make departments more likely to choose sustainable products;
- whether the Government Procurement Service and departments should do more to measure and report their progress towards meeting the Greening Government Commitment to buy more sustainable and efficient products and engage with suppliers to understand and reduce the impacts of its supply chain, and, if so, how this can be achieved; and
- whether better sharing of sustainable procurement information, resources and good practice between departments would be helpful and, if so, how this can be further facilitated.

Part One

What is sustainable procurement?

1.1 There is no single definition of sustainable procurement. The longstanding government commitment to embedding sustainability across its activities stretches beyond simply buying recycled goods and products that consume less energy. The now defunct Sustainable Procurement Task Force defined sustainable procurement in its National Action Plan in 2006 as: "a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment."⁸

1.2 The National Audit Office last reported on sustainable procurement in government in 2009, and identified that procurement can address a wide range of social and economic objectives. It can create jobs and wealth in regeneration areas, promote contract opportunities for Small and Medium Enterprises, Ethnic Minority Businesses and the Third Sector, and specify services from contractors so as to promote adult basic skills, disability, race and gender equality. Sustainable procurement can also stimulate wider markets to innovate and to produce more cost effective, competitive and sustainable products and services for the public sector, business and consumers. It is also a way of setting an example for business and the public, and demonstrating that government is serious about sustainable development.⁹

1.3 The Department for Environment, Food and Rural Affairs (DEFRA) is responsible for sustainable development policy including sustainable procurement whilst the Cabinet Office is responsible for overall government procurement policy. The departments work together on sustainable procurement and DEFRA describes the aims of the government's policy as:

- to ensure long-term cost-effectiveness;
- to reduce waste, carbon emissions, energy and water consumption and encourage recycling and reuse in line with targets for the central government estate;

⁸ DEFRA, *Procuring the Future, Sustainable procurement national action plan: recommendations from the Sustainable Procurement Task Force*, June 2006, available at: <http://www.defra.gov.uk/publications/files/pb11710-procuring-the-future-060607.pdf>

⁹ Comptroller and Auditor General, *Addressing the environmental impacts of Government procurement*, April 2009. Available at: http://www.nao.org.uk/publications/0809/addressing_the_environmental.aspx

- to protect biodiversity;
- to stop the buying of products, such as timber and timber products from unsustainable or illegal sources;
- to support fair and sustainable economic growth.¹⁰

The Government's commitment to sustainable procurement

1.4 In a speech at the Department of Energy and Climate Change in May 2010, the Prime Minister announced that he wanted his government to be the “greenest government ever”.¹¹ In November 2010, DEFRA published an Action Plan for driving sustainable operations and procurement across government. Following this in February 2011, the Government published *Mainstreaming sustainable development - the government's vision and what this means in practice* and identified procurement as a key element in meeting its sustainability objectives. It committed to “lead by example with the greenest ever operations and procurement through a step change in leadership, efficiency, transparency and accountability that will underpin the Government's operations and procurement.”¹²

1.5 Alongside its vision for mainstreaming sustainable development, the Government published its “Greening Government Commitments”, which included its commitment on sustainable procurement. These commitments replaced the previous Government's Sustainable Operations on the Government Estate (SOGE) targets. The sustainable procurement commitment states that government will buy more sustainable and efficient products and engage with its suppliers to understand and reduce the impacts of its supply chain. Specifically, the Government said it will:

- “embed the Government Buying Standards in departmental and centralised procurement contracts, within the context of Government's overarching priorities of value for money and streamlining procurement processes.”¹³ (The Government Buying Standards are designed to help simplify sustainable procurement by establishing technical specifications and award criteria for products which address their sustainability impacts and minimise their whole-life cost); and

¹⁰ More information is available at: <http://sd.defra.gov.uk/advice/public/buying/background/procure-policy/>

¹¹ Prime Minister's speech at the Department of Energy and Climate Change, 14 May 2010. Available at: <http://www.number10.gov.uk/news/pms-speech-at-decc/>

¹² Department for Environment, Food and Rural Affairs, *Mainstreaming Sustainable Development: the government's vision and what this means in practice*, February 2011. Available at: <http://sd.defra.gov.uk/documents/mainstreaming-sustainable-development.pdf>

¹³ The Government Buying Standards were originally introduced as “Quick Wins” in 2003 and rebranded as “Buy Sustainable - Quick Wins” in 2008.

- "improve and publish data on our supply chain impacts, initially focusing on carbon, but also water and waste, setting detailed baselines for reducing these impacts."¹⁴

The commitments apply to all central government departments, their executive agencies, non-departmental public bodies, and non-Ministerial departments in England. If a body that is bound by the commitments enters into a Private Finance Initiative or Public Private Partnership then the contract is bound by the commitments. The commitments do not apply to other public bodies, such as local authorities, NHS Trusts and academies, which account for around 80 per cent of public sector procurement spend.¹⁵

1.6 In addition to the Greening Government Commitments, in March 2011 DEFRA published revised guidance for the Flexible Framework for sustainable procurement.¹⁶ The Flexible Framework is a voluntary self-assessment tool to help organisations monitor and measure their progress on sustainable procurement. The revisions incorporate the Greening Government Commitments into the framework. The guidance states that if organisations that are bound by the Commitments choose not to use the Flexible Framework to report progress, they are expected to report progress in another format.

1.7 In their business plans for the current Spending Review period all central government departments agreed to meet the Greening Government Commitments, and to supply quarterly information on them. They also agreed to increase spending with SMEs to contribute to the Government's aspiration that, by the end of this Parliament, 25 per cent of the value of its spend (direct or in supply chains) is spent with SMEs. There is no specific mention of sustainable procurement in departments' business plans except for those of DEFRA and the Cabinet Office, both of which included an action to publish an annual cross-government progress report on the Greening Government Commitments by November 2012. DEFRA published this report in December 2012.¹⁷

¹⁴ Department for Environment, Food and Rural Affairs, *Greening Government Commitments: operations and procurement*, February 2011. Available at: <http://sd.defra.gov.uk/documents/Greening-Government-commitments-Jul2011.pdf>

¹⁵ HM Treasury, *Public Expenditure Statistical Analysis 2012*, July 2012

¹⁶ Department for Environment, Food and Rural Affairs, *Sustainable Procurement in Government: Guidance to the Flexible Framework*, March 2011. Available at: <http://www.defra.gov.uk/publications/files/pb13423-flexible-framework-guidance-110928.pdf>

¹⁷ HM Government, *The Greening Government Commitments: Annual report on government departments' progress against 2015 targets in 2011-12*, December 2012. Available at: <http://www.defra.gov.uk/publications/files/pb13846-greening-government-commitments.pdf>

1.8 In December 2012, the Cabinet Office Minister for Political and Constitutional Reform, wrote to departments to set out the government's position on using public procurement to achieve wider policy objectives. The letter states that "the overarching aim of public procurement will always be to achieve value for money" and sets out the measures, such as centralising the procurement of common goods and services, that have been put in place. Departments were advised that they should only pursue wider objectives "where they are directly relevant to what is being procured and where there is a clear case that doing so will achieve better value for money (for example, greening government and Government Buying Standards)."

Governance and accountability

1.9 In 2006, the Environmental Audit Committee called for procurement and sustainable procurement to be led by the same organisation. However the various changes in governance arrangements since the current Government came into power in May 2010 have resulted in DEFRA and the Cabinet Office working together on sustainable procurement:

- In July 2010, the Office of Government Commerce, which included the Centre of Expertise in Sustainable Procurement (CESP), was transferred from HM Treasury to the newly established Efficiency Reform Group in the Cabinet Office.
- In February 2011, the Centre of Expertise in Sustainable Procurement became the Green Government Unit and took on the responsibility for performance management of organisations' delivery of Greening Government Commitments. A Ministerial Steering Group was also created to oversee delivery of the new commitments for greening government's operations and procurement.
- In July 2011, the Government Procurement Service was created as an executive agency of the Cabinet Office. Its role is to provide procurement savings for the UK public sector as a whole and to deliver centralised procurement for common goods and services for central government departments. Its wider brief is to support government procurement reform and improve government's procurement skills.¹⁸ It replaced Buying Solutions, an organisation within the former Office of Government Commerce. One of the Service's 10 key objectives is "to promote and facilitate effective access to a range of sustainable and 'environmentally friendly' products and services wherever possible in its business activities."¹⁹

¹⁸ More information is available at: <http://gps.cabinetoffice.gov.uk/about-government-procurement-service/about-government-procurement-service/history>

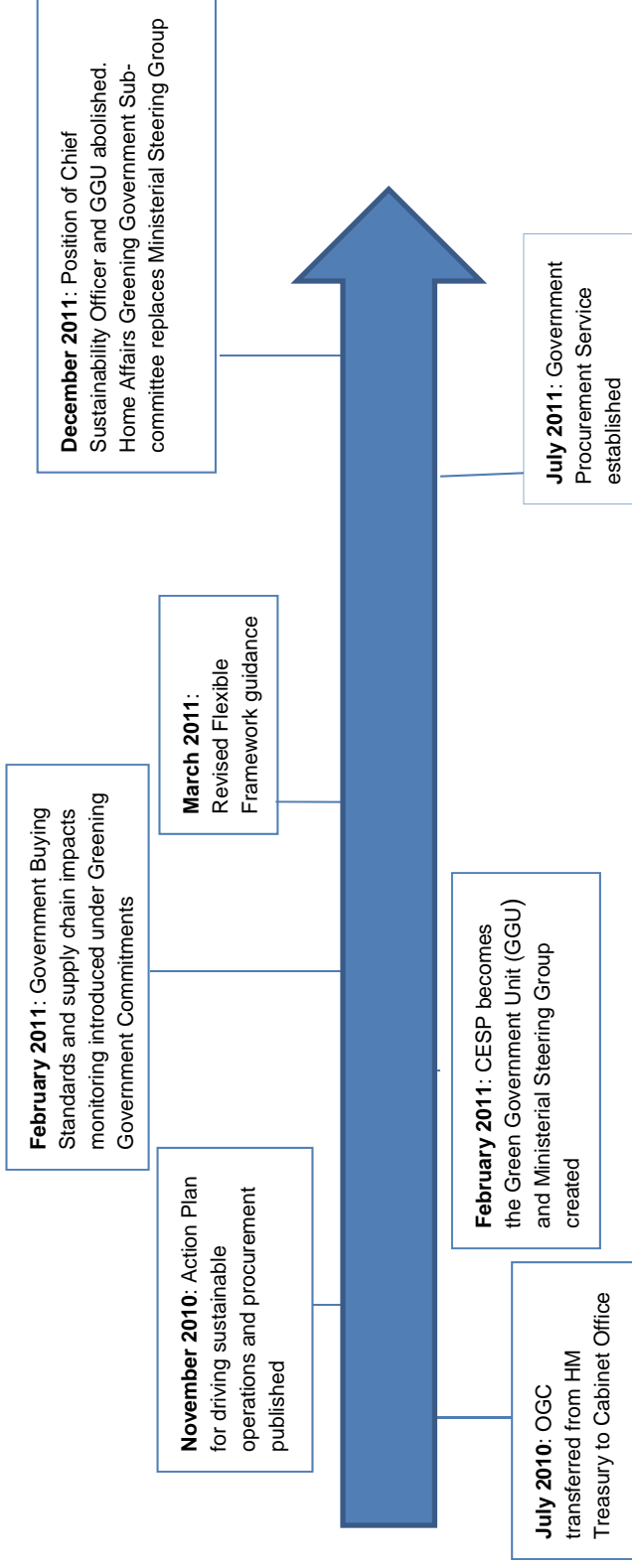
¹⁹ Government Procurement Service, *Annual Report and Accounts 2011-12*, July 2012. Available at: <http://gps.cabinetoffice.gov.uk/sites/default/files/images/854-12%20Annual%20Report%20%26%20Accounts%20201112.pdf>

- In December 2011, the Green Government Unit and the position of Chief Sustainability Officer were both abolished. Also at this time the Ministerial Steering Group was replaced by the Greening Government sub-committee under the Home Affairs Cabinet Committee. This committee is jointly chaired by the Cabinet Office Minister for Government Policy, and DEFRA's Secretary of State, with the Parliamentary Under Secretary of State for Transport as the Deputy Chair. It is responsible for monitoring progress on the Greening Government Commitments and meets twice a year.

1.10 Individual departments are responsible for meeting the Government's targets on sustainability and sustainable procurement. After the Green Government Unit was abolished, the Cabinet Office and DEFRA agreed their respective policy and delivery responsibilities for the Greening Government Commitments. DEFRA is responsible for driving delivery on sustainable procurement through its lead role in sustainable development policy, with assistance from the Cabinet Office and the Government Procurement Service. DEFRA is also responsible for reporting on sustainable procurement with assistance from the Cabinet Office, which formally commissions data from departments. **Figure 1** shows the various changes in the commitments and governance and accountability since 2010.

Figure 1

Timeline of changes in commitments and governance



The requirements for reporting on sustainable procurement

1.11 Greening Government Commitments Guidance published by the Cabinet Office in June 2011 includes reporting requirements on the Commitments.²⁰ For the fourth commitment on sustainable procurement, departments were required:

- to report compliance on building Government Buying Standards into new and existing contracts that are above the Official Journal of the European Union (OJEU)²¹ threshold; and to identify key impacts/suppliers and the extent to which key impact areas are being addressed. The Cabinet Office and DEFRA have since scaled back this reporting requirement to reduce the reporting burden on departments and to allow departments time to get the necessary data collection systems in place. For 2011-12, departments were required to report compliance in six product groups rather than all product groups.
- to make the following information available on their websites:
 - a description of the monitoring systems and processes they have in place for procuring products meeting Government Buying Standards;
 - plans for improving compliance with Government Buying Standards within the department and the wider departmental family;
 - the process for determining procurement sustainability impacts;
 - up to date supply chain impact analysis; and
 - details on how the department is engaging with its key suppliers on significant impacts.

1.12 Departments were also encouraged to make the following additional information available on their websites:

- the extent to which best practice Government Buying Standards specifications are applied in procurement and the benefits of doing so;
- the use of tools to prioritise or address sustainability impacts;

²⁰ Cabinet Office, *Greening Government Commitments Guidance on measurement and reporting*, June 2011. Available at:

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/Greening%20Government%20Commitments%20-%20guidance%20on%20measurement%20and%20reporting.pdf>

²¹ The OJEU is the publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation must be published.

- examples of how tenders have been developed to invite innovative sustainable solutions; and
- the results of any relevant projects that have been undertaken with suppliers to secure environmental, social or economic benefits.

1.13 There is also a requirement under the Climate Change Act (2008) for government organisations to procure buildings in the top quartile of energy efficiency performance and report against this.

1.14 In December 2011, Public Expenditure Systems (PES) guidance was published setting out advice for government departments on preparing their 2011-12 Annual Report and Accounts. The guidance required departments to:

- report on the steps that they had taken at official level to ensure that consideration of the long term needs of the economy, society and the natural environment was central to their operations, procurement and policy development;
- provide examples of policy developments that demonstrated good practice on sustainable development; and
- make forward looking commitments for improving performance in 2012-13.

1.15 At the same time, HM Treasury set out guidance for central government organisations to produce sustainability reports to be included in their 2011-12 Annual Reports and Accounts under the Financial Reporting Manual.²² This required non-financial information on progress in achieving more sustainable procurement methods, in line with Greening Government Commitments.

Forthcoming developments in sustainable procurement

1.16 The European Union's Energy Efficiency Directive will from January 2014 require member states' central governments to build EU law on eco-design, eco-labelling and Energy Star²³ into their public procurement requirements for contracts above the OJEU threshold, subject to consideration of cost effectiveness, technical suitability, wider sustainability, effective competition and economic feasibility. It will also, with some exceptions, require governments to purchase or rent buildings that comply with minimum energy requirements set out in the Directive and encourage the wider public sector, which is not bound by the Directive, to procure in the same way.²⁴ DEFRA is

²² HM Treasury, *Public Sector Annual Reports: Sustainability Reporting, Guidance for 2011-12 Reporting*, April 2012

²³ The Energy Star is a voluntary appliance specific label, identifying to consumers appliances that meet certain standards regarding energy efficiency. In 2001, the EU signed an agreement to introduce the Energy Star for office equipment in Europe.

²⁴ More information is available at: http://ec.europa.eu/energy/efficiency/eed/eed_en.htm

working on developing a proportionate means of implementing this, and has recently commenced working with the Government Procurement Service, Cabinet Office and the Department of Energy and Climate Change to develop guidance for dissemination to central government and the wider public sector in time for introduction of the new legislation.

1.17 The European Commission is revising the European Public Procurement Directives. The existing Directives set out "how contracting authorities may contribute to the protection of the environment and the promotion of sustainable development, whilst ensuring the possibility of obtaining the best value for money for their contracts".²⁵ The proposed revisions are intended to simplify the rules and procedures, to make them more flexible and more accessible to small and medium sized enterprises and to make it clearer that public sector procurers can take into account social and environmental considerations. The new Directives are expected to be adopted in autumn 2013. Member states will have to implement the Directives within two years of adoption.

1.18 The Public Services (Social Value) Act 2012, which came into force in January 2013, requires certain public authority procurers and commissioners to consider, at the pre-procurement stage, how what is being procured might improve the economic, social and environmental well-being of an area. Authorities need to consider whether to consult on these matters and how the improvement will be secured in the procurement process itself. The Act relates to service contracts above the OJEU threshold and covers public authorities in England and Wales, but does not apply to Welsh authorities which exercise functions that are wholly or mainly devolved in Wales.²⁶ The Act does not apply to the purchase of goods, unless supplied as part of the services contract, The Government Procurement Service has produced guidance on the Act for its teams.

²⁵ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts. Available at: http://ec.europa.eu/internal_market/publicprocurement/modernising_rules/reform_proposals_en.htm

²⁶ More information is available at: <http://www.legislation.gov.uk/ukpga/2012/3/notes/data.pdf>

Part Two

Sustainable procurement: performance and progress

Introduction

2.1 The Greening Government sub-committee, which was established under the Home Affairs Cabinet Committee to monitor progress on the Greening Government Commitments, met twice in 2012 but did not discuss sustainable procurement due to the limited data on this that was then available. DEFRA published its first annual report on progress with the Greening Government Commitments in December 2012. This is based on the data collected from departments on procurement across six product categories.²⁷

Progress against the Government's commitments

Government Buying Standards

2.2 DEFRA is responsible for developing and maintaining Government Buying Standards, which set specifications for listed products, based on review of market research and analysis and taking into account long-term cost-effectiveness and market capacity to meet the specification. DEFRA develops the Standards with support from a DEFRA-led cross-departmental Sustainable Procurement Project Board, working groups with departmental membership, and stakeholder reviews. The Standards identify the key sustainability issues in procuring particular products, from the materials used in manufacture and operation, to energy use and to how they will be disposed of at the end of their use. They take into account the EU's voluntary Greening Public Procurement (GPP) standards which encourage environmental issues to be considered in procurement.

2.3 There are Government Buying Standards for 12 broad product categories covering: buildings, construction projects, cleaning products and services, electrical goods, food and catering services, furniture, horticulture and park services, office ICT equipment, paper and paper products, textiles, transport, and water using products. Under each category there are three levels of standards:

²⁷ HM Government, *The Greening Government Commitments: Annual report on government departments' progress against 2015 targets in 2011-12*, December 2012. Available at: <http://www.defra.gov.uk/publications/files/pb13846-greening-government-commitments.pdf>

- mandatory standards which state the minimum specifications that must be met;
- best practice standards which encourage users to improve sustainability beyond the minimum expected;
- class leader standards which only apply to certain products and are aimed at encouraging innovation.²⁸

2.4 An example of a standard under the three levels for desktop computers (part of the office ICT equipment category) is shown in **Figure 2**.

Figure 2: An example of a Government Buying Standard: Computer Monitors

IMPACT AREA	STANDARDS
Energy performance requirements	Mandatory: The product meets the performance requirements of ENERGY STAR or equivalent
Parts: facilitating segregation and recovery	Mandatory: Parts that have to be treated separately are easily separable Best Practice: Plastic materials in covers/housing have surface coatings that are compatible with recycling or reuse, including metal coatings
Parts	Mandatory: Plastic parts >100 g consist of one material or of easily separable materials
Parts	Mandatory: Plastic parts >25 g have material codes according to ISO 11469 referring to ISO 1043
Parts	Mandatory: Plastic parts are free from metal inlays or have inlays that can be removed with commonly available tools
Chemicals in components	Mandatory: All cover/housing plastic parts >25 g are halogen free
Chemicals in components	Mandatory: Plastic parts >25 g are free from flame retardant substances/preparations above 0.1% classified as R45/46, R50/51/53 and R60/61 (67/548/EEC)
Parts: facilitating segregation and recovery	Mandatory: Labels are easily separable. (This requirement does not apply to safety/regulatory labels)
Chemicals in components	Mandatory: Maximum mercury content per lamp of 3.5mg
Packaging	Mandatory: Product plastic packaging is halogen free (including PVC) Best Practice: Product plastic packaging does not contain chlorine Class Leader: Product plastic packaging does not contain chlorine
Documentation	Mandatory: User and product documentation do not contain chlorine bleached paper Best Practice: User and product documentation do not contain chlorine bleached paper

²⁸ More information is available at: <http://sd.defra.gov.uk/advice/public/buying/standards/>

2.5 In September 2012, DEFRA reported to the cross-government advisory Sustainable Procurement Project Board, that it had not made the expected progress in developing and refreshing the standards. It reported that it had made good progress on two of the 15 standards in the current development programme: updating the food standard to incorporate palm oil and an amendment to the horticultural standard to incorporate peat.²⁹ It had made slower progress on nine standards than initially planned and was considering how best to proceed with developing or updating a number of other standards and had suspended work on four. DEFRA attributed the slower progress to resourcing issues and its decision to refocus on working with the Government Procurement Service on existing standards rather than developing new ones. DEFRA plans to make more use of other departmental resources for its work on the Standards and, where appropriate, secure assistance from other departments, for example from the Department for Transport on vehicle standards.

2.6 Very little information exists to measure the extent to which departments are complying with the Government Buying Standards. Nine departments of the 15 that had produced annual reports and accounts at the time of our analysis reported that they complied with some or all of the Government Buying Standards, but they provided no data on the extent of compliance.³⁰ For those departments that did not report compliance it is not possible to say whether they did not comply or whether they chose not to report one way or the other.

2.7 In the first annual report on the Greening Government Commitments, DEFRA reported that it was difficult to assess the level of compliance by government departments with Government Buying Standards. The Cabinet Office and DEFRA had asked departments to provide data for six product categories, but found that departments often did not record either at the time or subsequently whether the products they purchased in the selected categories met the Standards.³¹ For 2012-13 and subsequent years, the Cabinet Office and DEFRA are looking to develop more detailed reporting requirements while ensuring they do not impose an excessive reporting burden.

2.8 There are two other pre-existing commitments and reporting requirements that support the sustainable procurement Greening Government Commitment. The Sustainable Timber Procurement Policy requires all timber or timber derived products purchased by central government and agencies to be from legal and sustainable sources. DEFRA told us that this requirement has been built into all the relevant

²⁹ DEFRA's update on development of Government Buying Standards (presented to the Sustainable Development Procurement Board), October 2012.

³⁰ The Annual Reports and Accounts of the Department for Culture, Media and Sport and the Ministry of Defence had not been produced at the time of our analysis.

³¹ HM Government, *The Greening Government Commitments: Annual report on government departments' progress against 2015 targets in 2011-12*, December 2012. Available at: <http://www.defra.gov.uk/publications/files/pb13846-greening-government-commitments.pdf>

Government Buying Standards. The Government Procurement Service has reviewed all frameworks covering products where the timber policy applies to ensure that they all make reference to the policy and indicate that suppliers must comply with the sustainability requirements.

2.9 The Government Buying Standards and the wider commitment to sustainable procurement do not apply to the wider public sector. However, DEFRA funds the National Sustainable Public Procurement Programme which provides training to make it clear to all public sector employees that sustainable procurement is simply good practice which can generate significant benefits. The programme explains public procurement and demonstrates how to apply sustainable procurement good practice throughout the purchasing cycle.³² In 2010-11 it was rolled out to local authorities and piloted in the NHS, higher and further education, central government and Scottish local authorities. Although the programme is still live, there has been little activity in rolling out the training over the six months to December 2012 as the training modules were being reviewed and new ones added. DEFRA expects to release five new free to use e-learning modules for buyers procuring under construction, furniture, textiles, ICT and re-use and remanufacturing categories early in 2013.³³ In November 2012, DEFRA met its commitment to publish guidance for schools and hospitals on how to apply the Government Buying Standard for food.

Supply chain impacts

2.10 The Government has undertaken to improve and publish data on its supply chain impacts, initially focusing on carbon, but also water and waste, setting detailed baselines for reducing these impacts. In January 2011, DEFRA reported on the supply chain impacts of eight central government departments.³⁴ Nine departments were not included in this analysis, including the Ministry of Justice and the Department for Work and Pensions, which at the time were the second and fourth largest procurers of goods and services respectively. The analysis showed that the Ministry of Defence (MOD) had the largest supply chain impact, almost five times that of the Department for Transport, the next largest and that just over half of this came from energy and utilities.

2.11 DEFRA's analysis of supply chain impacts used a method called Input Output Analysis (IOA) which allocates the full life-cycle impacts of sectors to products. According to the consultants who carried out the analysis on DEFRA's behalf, it is useful for providing top level figures broken down by sector, but it should not be used to support more detailed operational work, such as setting baselines, establishing targets and monitoring performance. DEFRA reported that the methods used in this

³² More information is available at: <http://sd.defra.gov.uk/advice/public/nsppp/>

³³ More information is available at: <http://www.wrap.org.uk/content/sustainable-procurement-e-learning-modules>

³⁴ DEFRA, *Greenhouse gas footprint analysis of departmental supply chains*, January 2011

supply chain impacts analysis could be quickly and efficiently rolled out to other departments to provide a similar high level analysis with little resource required from departments.

2.12 Instead DEFRA encouraged the Government Procurement Service to make a supply chain reporting tool available to departments as a better way for them to engage with the efficiency and sustainability of their supply chain. A number of tools are available to departments to track their full supply chain impacts and from October 2012 the Government Procurement Service has made these available to all departments through a framework contract. A number of departments have already used a tool known as "CAESER" (Corporate Assessment of Environmental, Social and Economic Responsibility) to track their suppliers' impacts. The use of a supply chain tool will enable suppliers to report their impacts across those departments using it instead of reporting separately for individual departments. A Home Office led departmental user group has been established to assist in the further development of CAESER and other supply chain tools so that data on sustainable procurement by departments can be presented in a meaningful manner.

The Government Procurement Service

2.13 The Government Procurement Service supports procurement across central government and the wider public sector, including local government, health, education, the devolved administrations, emergency services, and not for profit organisations outside the public sector. It has an important part to play in driving sustainable procurement by central government, because, in 2011-12, 6.7 per cent of all central government procurement expenditure was channelled through the Service and this rose to 10.9 per cent in the first half of 2012-13.

2.14 The Government Procurement Service has 117 central procurement frameworks across ten product or service categories: communication services, energy, fleet, ICT, learning and development, office solutions, print, professional services, travel, and property solutions. The central frameworks set out procurement specifications, list suppliers and offer standard contract terms and conditions to reduce procurement costs to users of the frameworks. The Government Procurement Service is working with DEFRA to ensure that Government Buying Standards are incorporated into these frameworks, where they apply. It is also in the process of enabling government to work more efficiently through technology such as e-marketplaces and portals.

2.15 The Government Procurement Service also supports:

- procurement through its catalogues. The catalogues are intended to offer savings from centrally negotiated commercial arrangements, through the aggregation and standardisation of procurement requirements. The catalogues include "green ticks" to show products which suppliers consider comply with Government Buying Standards. (The green tick scheme is currently under review (see paragraph 2.21)).

- formal tendering on behalf of a buying organisation.
- a spot buying service, where it buys requested low value products not available through its catalogues and not requiring a formal tendering exercise.

2.16 Promoting sustainable procurement is one of the Government Procurement Service's 10 key objectives, but it has not produced data or reported performance more generally against this objective in its Annual Report for 2011-12. The Government Procurement Service is committed to incorporating the Government Buying Standards where they are relevant to its central frameworks, and its predecessors were also committed to incorporating the Standards (previously the "Quick Wins") into their frameworks. The Government Procurement Service estimates that the Government Buying Standards are relevant to 23 of its 117 central frameworks and that these 23 frameworks incorporate the Standards in some way.

2.17 In its first annual report on the Greening Government Commitments, DEFRA reported that, in 2011-12, the Government Procurement Service had ensured that it made Government Buying Standards compliant products available in new or retendered frameworks within the paper, furniture, IT, desk top printers, multi-functional devices and transport categories, as well as energy using products in the facilities management framework. DEFRA also reported that it had agreed with the Government Procurement Service that it would incorporate the Government Buying Standards in its revised frameworks for mobile phones and servers.

2.18 The Government Procurement Service is working with DEFRA to develop its understanding of the Standards and wider sustainability issues and how they relate to future procurements. It provides guidance on the Government Buying Standards to users of the frameworks. It also addresses wider sustainability issues in its frameworks through engaging with key stakeholders and the supply base. For example, in the Furniture Framework, which is currently out to tender, the specification requires suppliers to comply with the Government Buying Standards and sustainable timber policy and also requires consideration of using "Working to deliver rehabilitative work" and "Working with Supported Employment Schemes and Supported Factories".

2.19 The Government Procurement Service's work with DEFRA on the Government Buying Standards includes:

- work to incorporate the standards into relevant procurement exercises;
- further developing standards relevant to product categories; and
- streamlining supplier and stakeholder engagement, including an agreement with DEFRA to provide support at supplier events to inform them of the standards.

2.20 The Government Procurement Service has undertaken work to establish the impacts of its list of priority suppliers under its centralised procurement frameworks. The work measures baseline carbon emissions and continuously monitors the supply chain to track progress towards Government targets. It has focused on a priority list of suppliers with high carbon emissions and high dependence on government contracts, where the Government Procurement Service can use its leverage to secure supplier commitments to carbon reduction targets.

2.21 The Government Procurement Service reported that 819 of its products carry the green tick, signifying that they comply with Government Buying Standards, but it cannot say what this is as a proportion of all products or as a proportion of all spending on products in its catalogues. Departments told us they lack confidence in the green tick scheme because it is based on suppliers' claims and is not audited. The Government Procurement Service recognises the limitations of the green tick scheme, and is currently reviewing whether it is the most appropriate approach, in the light of the growing use of e-sourcing and the increasing number of electronic catalogues. This is part of a wider review of a number of areas including improvements to reporting, access to technology and sustainability issues. It expects to complete this review by March 2013.

Progress by departments

2.22 As reported earlier, we found that nine of the 15 departments that had produced their annual reports and accounts at the time of our analysis reported that they had complied with some or all Government Buying Standards, although they did not report on the extent of compliance.³⁵ Nine out of the 15 reported that they had engaged with their suppliers to monitor or reduce supply chain impacts, and eight departments stated that they had embedded sustainability into procurement contracts (**Figure 3**). Some departments reported in significant detail on their approach to sustainable procurement, while others provided very little information.

³⁵ The Annual Report and Accounts of the Department for Culture, Media and Sport and the Ministry of Defence had not been produced at the time of our analysis.

Figure 3

Review of sustainable procurement commentary in 15 departments' Sustainability Reports for 2011-12 Annual Report and Accounts

Sustainable procurement area mentioned	Number of departments including commentary (out of 15)
Compliance with Government Buying Standards	9
Engaging with suppliers to monitor/reduce their environmental impact	9
Embedding sustainability into procurement contracts	8
Raising awareness, training and support of sustainability with procurement staff	3
Producing sustainable procurement strategy/guidance	3

Figure Source: National Audit Office

2.23 We reviewed central government departments' websites to assess the extent to which they are complying with the web reporting requirements set out in the June 2011 guidance. We found that few had reported on their approach to procuring to Government Buying Standards and assessing supply chain impacts, and even fewer have provided information on other non-mandatory reporting suggestions (**Figure 4**).

Figure 4

Review of 17 departmental websites for sustainable procurement mandatory/encouraged disclosures

Commitment area	Information required	Commitment type	Number of departments providing information (out of 17)
Government Buying Standards (GBS)	Description of GBS systems and monitoring systems and processes	Mandatory	13
Government Buying Standards	Steps being taken to improve GBS monitoring systems and processes	Mandatory	3
Government Buying Standards	Plans for improving compliance, referring to specific GBS categories/products and wider departmental family as appropriate	Mandatory	1
Government Buying Standards	Making available information on the extent to which best practice GBS specifications are embedded in procurements and the benefits of doing so	Encouraged	10
Supply chain impacts	Process for determining procurement sustainability impacts	Mandatory	4
Supply chain impacts	Up to date supply chain impact analysis	Mandatory	0
Supply chain impacts	Details of plan for engaging with key suppliers on significant impacts	Mandatory	1
Supply chain impacts	Tools used to prioritise or address sustainability impacts	Encouraged	5
Supply chain impacts	Examples of how tenders have been developed to invite innovative sustainable solutions	Encouraged	1
Supply chain impacts	Results of projects with suppliers, including environmental, social or economic benefits	Encouraged	1

Figure Source: National Audit Office

Examples of good practice

2.24 Many government departments have responded well to the sustainable procurement agenda and there are numerous examples of good practice. For example³⁶:

- **HM Revenue and Customs (HMRC)** has established a closed loop paper recycling framework managed on behalf of the Government Procurement Service to which 15 out of 17 central government departments have signed up. The scheme accounts for 50 per cent of central government's spend on copier paper, and almost 600,000 boxes have been purchased since the contract was signed in September 2011. Waste paper is collected from government offices and then used to manufacture desktop quality 100% recycled paper. The scheme offers benefits that include environmental improvements and more stable paper pricing. It also guarantees data security because all paper is shredded securely before being taken to the mill. The scheme is now open to the private sector with McDonalds and Virgin Media already signed up. Its operators report that they have achieved reductions of 70 per cent in carbon emissions, 60 per cent in energy consumption and 50 per cent in water consumption, compared with processes used for virgin paper. In addition, there has been a saving of 68,000 trees since the launch of the scheme.
- The **Department for Work and Pensions (DWP)** has standard conditions for contract performance in all service contracts with a value over £10,000 requiring the contractor to produce a Sustainable Development Policy Statement and Sustainable Development Plan within six months of the commencement date of the contract and annually thereafter. Contractors' Development Plans must require each organisation involved with delivery of the contract to provide annual estimates of the progress of their Sustainable Development actions as well as details on how staff awareness of sustainability will be increased in line with the Sustainable Development Plan.
- **Ministry of Defence (MOD)** is including sustainability within the mainstream of departmental processes and activities through its voluntary sustainable procurement charter which all key suppliers have signed, and by incorporating sustainability within its own strategies and objectives. It is mandatory that all business cases should consider sustainability as part of their development. In addition to publishing detailed online sustainable procurement guidance, MOD has developed sustainable procurement training courses which are run by the Defence Academy. MOD has a number of other sustainable procurement initiatives including the establishment of a joint MOD-Industry working group to facilitate sustainability work with suppliers, for example, to capture data on carbon emissions. MOD currently spends 1.6 per cent of its budget on energy

³⁶ Note that these examples are selected to show the wide range of good practice activities across government and do not necessarily reflect best practice by government departments.

used by its defence equipment, and forecasts that this will rise to 7.0 per cent by 2020. It aims to reduce the Armed Forces' reliance on fossil fuels by 18 per cent by 2020-21, in part through more sustainable procurement. This will reduce operational risk (for example from attacks on fuel supply convoys to the front line) and whole-life costs while enhancing mission endurance and resilience.

Challenges in pursuing sustainable procurement

2.25 In our workshop and interviews, departmental procurement and sustainability practitioners discussed the challenges they considered were involved in improving sustainability of procurement. Issues identified included:

- departments facing internal pressure to focus on upfront cost often at the expense of whole-life costs to meet cost reduction targets;
- central procurement staff finding it difficult to obtain support from other staff across their department to meet the sustainable procurement commitments;
- for more complex procurement exercises, engineers or scientists may take decisions at an early stage before the procurement cycle has begun, which may impact on the sustainability of the product or service to be procured;
- sustainable procurement policy requirements including supply chain impact analysis can require a level of documentation from suppliers that may discourage SMEs with fewer corporate resources from being involved in government procurements; and
- frequent changes in the governance arrangements for sustainable procurement resulting in uncertainty over requirements and difficulty in finding relevant guidance.

2.26 They also noted that there is little sharing of information, resources, and good practice between departments. DEFRA has taken steps to strengthen arrangements for sharing of information and working in partnership across Whitehall. The DEFRA-led Sustainable Procurement Project Board, was relaunched in July 2012, shortly before we held our workshop, and meets quarterly and seeks to bring together key players from across central government. It also set up a practitioner-led Sustainable Operations Practitioners Forum in May 2012 to bring both procurement and operational practitioners together with the intention that they meet at least every six months. DEFRA has also re-established the Supply Chain Reporting Tool user group and commenced what it anticipates being a series of ad hoc workshops, the first of which took place in October 2012, and is exploring the potential for an interactive web-based forum.

Appendix One: Methodology

Our methodology was designed to complement DEFRA's work in preparing its annual report on progress with the Greening Government Commitments.³⁷ The sources of evidence for our briefing were:

- interviews with officials in the Cabinet Office and the Department for Environment, Food and Rural Affairs to understand the history of sustainable procurement, progress made against the commitments and future plans;
- an informal discussion workshop held in September 2012 with 10 representatives from central government organisations, to explore their views on sustainable procurement in government. Sustainability and/or procurement practitioners from all 16 ministerial departments were invited to attend the workshop. Participants came from 10 central government departments: Ministry of Defence, Ministry of Justice, Department for Transport, Foreign and Commonwealth Office, Department for Environment, Food and Rural Affairs, HM Revenue and Customs, HM Treasury, Home Office, Department for Communities and Local Government and Department for Education. When considering findings from the workshop it should be noted that the views and experiences stated may not be typical of all sustainability and procurement practitioners working across central government. Participants discussed four different topics: Government Buying Standards; supply chain engagement; cost savings versus sustainable procurement objectives; and challenges and current issues in sustainable procurement;
- a literature review, including information on the government's sustainable development website to understand the history of sustainable procurement and the current commitments and reporting requirements;
- a review of the Annual Reports and Accounts of the 14 UK ministerial departments whose accounts were published at the time of our review, as well as HM Revenue and Customs (a major non-ministerial department) to assess the extent of compliance with the HM Treasury guidance on Sustainability Reports in 2011-12 Annual Reports and Accounts and PES requirements.³⁸

³⁷ HM Government, *The Greening Government Commitments: Annual report on government departments' progress against 2015 targets in 2011-12*, December 2012. Available at <http://www.defra.gov.uk/publications/files/pb13846-greening-government-commitments.pdf>

³⁸ There are a total of 16 UK ministerial departments. We did not review the Annual Report and Accounts of the Ministry of Defence or the Department for Culture, Media and Sport, as they were not published at the time of our review.



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