

## PERTH AND KINROSS COUNCIL

Strategic Policy &amp; Resources Committee – 19 September 2012

**PROCUREMENT PROGRAMME  
SUSTAINABLE PROCUREMENT POLICY**

**Report by Executive Director (Housing & Community Care)**

**ABSTRACT**

This report seeks approval of a new Sustainable Procurement Policy to underpin the use of social, economic and environmental criteria in the development of contracts.

**1. RECOMMENDATION(S)**

It is recommended that Strategic Policy & Resources Committee:

- 1.1 (i) Note the content of this report, which is submitted in accordance with the approved objectives as contained within the Procurement Strategy 2011 - 2015 ( Report 11/316 refers);
- (ii) Note the progress made in the reform programme as reflected by the annual Procurement Capability Assessment (2011);
- (iii) Note the standards expected of public bodies when applying sustainability to procurement as expressed in the Procurement Capability Assessment questionnaire 2012; and
- (iv) Approve the proposed Sustainable Procurement Policy (**Appendix A**).

**2. BACKGROUND**

- 2.1 In 2011, the Strategic Policy & Resources Committee approved the Tayside Procurement Strategy 2011 – 2015 and the embedded Procurement Improvement Plan (report 11/316 refers).
- 2.2 Action Point 2.4 of the Improvement Plan committed the Council to “develop a sustainable procurement policy”; this report has been brought to Committee in order to meet that objective.
- 2.3 The inclusion of this objective in the Council's Improvement Plan for procurement was in part driven by guidance given in the Scottish Government “Community Benefits in Public Procurement Guidance Note”; published in February 2008. In the note one of the key statements reads; *‘Contracting authorities must have a legal and policy basis for incorporating community benefit requirements into their procurement processes.’*
- 2.4 The approval of this Sustainable Procurement Policy will facilitate the stipulation of social and environmental considerations in our Contracts, ensuring the potential for public procurement projects to maximise the impact on training, employment and investment in a local community and its longer-term regeneration is met.

- 2.5 In addition to approved objectives for procurement reform in Perth & Kinross, there is a desire to perform well against the national benchmark for procurement; the Procurement Capability Assessment (PCA).
- 2.6 The PCA is a maturity model that grades procurement performance against a scale, ranging from 'non conformance' to 'superior performance'. The Scottish Government, through the Public Procurement Reform Board, have set a target of having all Councils in the improved performance band (50% to 74%) by the 2012 assessment.
- 2.7 In 2011 Perth & Kinross Council achieved a score of 45%, a progressive improvement on 2010 and 2009 which is broken down as follows:

SECTION HEADING	Perth & Kinross Council Score 2009	Perth & Kinross Council Score 2010	Perth & Kinross Council Score 2011
Procurement Leadership & Governance	30%	43%	62%
Procurement Strategy & Objectives	38%	50%	71%
Defining The Supply Need	7%	27%	33%
Procurement Commodity / Project Strategies & Collaborative Procurement	31%	44%	44%
Contract & Supplier Management	14%	11%	19%
Key Purchasing Processes & Systems	21%	50%	50%
People	23%	33%	48%
Performance Measurement	17%	20%	27%
<b>Overall Procurement Capability scoring</b>	<b>23%</b>	<b>36%</b>	<b>45%</b>

- 2.8 The 2012 questionnaire includes several opportunities for credit to be given to those public bodies that are progressing a sustainable approach to their purchasing decisions. Details of the questions and the evidence sought are included at **Appendix B**.

### 3. SUSTAINABLE PROCUREMENT POLICY

- 3.1 The Scottish Government's Sustainable Procurement Action Plan for Scotland was created "to help the public sector build sustainable procurement into their corporate culture, take proper account of sustainability in procurement activity and be able to show how this is being achieved".

- 3.2 Procurement underpins the achievement of the social, economic and environmental benefits that sustainable economic growth demands. In response to the Scottish Government's Action Plan, the Tayside Procurement Consortium have already developed and part delivered a Sustainable Procurement Action Plan for Dundee City, Angus and Perth & Kinross Councils addressing the 10 key themes defined within the Scottish Government Action Plan.
- 3.3 To enable the next steps to be taken, a Sustainable Procurement Policy was drafted to embed sustainability principles (social, economic and environmental) into all procurement undertaken on behalf of the three Tayside Councils and Tayside Contracts. **(Appendix A)**.
- 3.4 The current consultation on the Procurement Reform Bill has been considered in the preparation of this report and in the drafting of the policy. This policy fits well with the stated intent of the Bill:
- 3.5 *"The Bill will establish a national legislative framework for sustainable public procurement that supports Scotland's economic growth by delivering economic, social and environmental benefits, supporting innovation and promoting processes and systems which are transparent, streamlined, standardised, proportionate, fair and business-friendly."*
- 3.6 Approval of this report will ensure that Perth & Kinross Council is well placed to deliver on the objectives set out in the Bill both prior to enactment and following adoption of the principles into statute.

#### **4. RESOURCE IMPLICATIONS**

There are no direct financial implications arising from this report.

#### **5. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012**

The Council's Corporate Plan 2009-2012 lays out five objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

The activities in this report support the third objective

#### **6. EQUALITIES ASSESSMENT**

The Council's Corporate Equalities Assessment Framework requires an assessment of functions, policies, procedures or strategies in relation to race, gender and disability and other relevant equality categories. This supports the Council's legal requirement to comply with the duty to assess and consult on

relevant new policies to ensure there is no adverse impact on any community group or employees.

The policy presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not require further assessment.

## **7. STRATEGIC ENVIRONMENTAL ASSESSMENT**

Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all plans, programmes and strategies, including policies (PPS). However, in this instance, no action is required as the Act does not apply to the matters presented in this report because they do not constitute a PPS as defined by the Act.

## **8. CONCLUSION**

The Procurement Programme has delivered on its agreed objectives to date. The programme is achieving savings that contribute to the overall efficiency savings targets set by the Council. The continued roll out of the Procurement Programme as part of the Tayside Procurement Consortium will further contribute to the Council's efficiency agenda.

**John Walker**  
**Depute Director (Housing & Community Care)**

**Note:** The Scottish Government Community benefits in Public procurement Guidance note has been used as a background paper, as defined by Section 50D of the Local Government (Scotland) Act 1973

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## **Appendix A**

### **Sustainable Procurement Policy March 2012**

#### **Foreword**

This Sustainable Procurement Policy has been developed in line with the three Tayside Councils key Procurement Strategy and in response to the Scottish Government's Sustainable Procurement Action Plan. The aim of the Sustainable Procurement Policy is to embed sustainable development principles (social, economic and environmental) into all procurement within the three Councils and Tayside Contracts.

All three Tayside Councils and Tayside Contracts should endeavour to ensure that the key principles contained within this Policy are adopted across their entire organisation.

The Head of Procurement will be responsible for reviewing and monitoring the Policy and for developing an Action Plan.

#### **Sustainable Procurement**

Sustainable procurement is defined as “a process that achieves value for money on a whole life basis and generates benefits not only to the organisation, but also to society and the economy whilst minimising damage to the environment.”

This Sustainable Procurement Policy has been developed to support our delivery of the Scottish Government's Sustainable Procurement Action Plan (SPAP) and to promote procurement practice which contributes to the Council's commitment to Corporate Social Responsibility

#### **Why are we doing this ?**

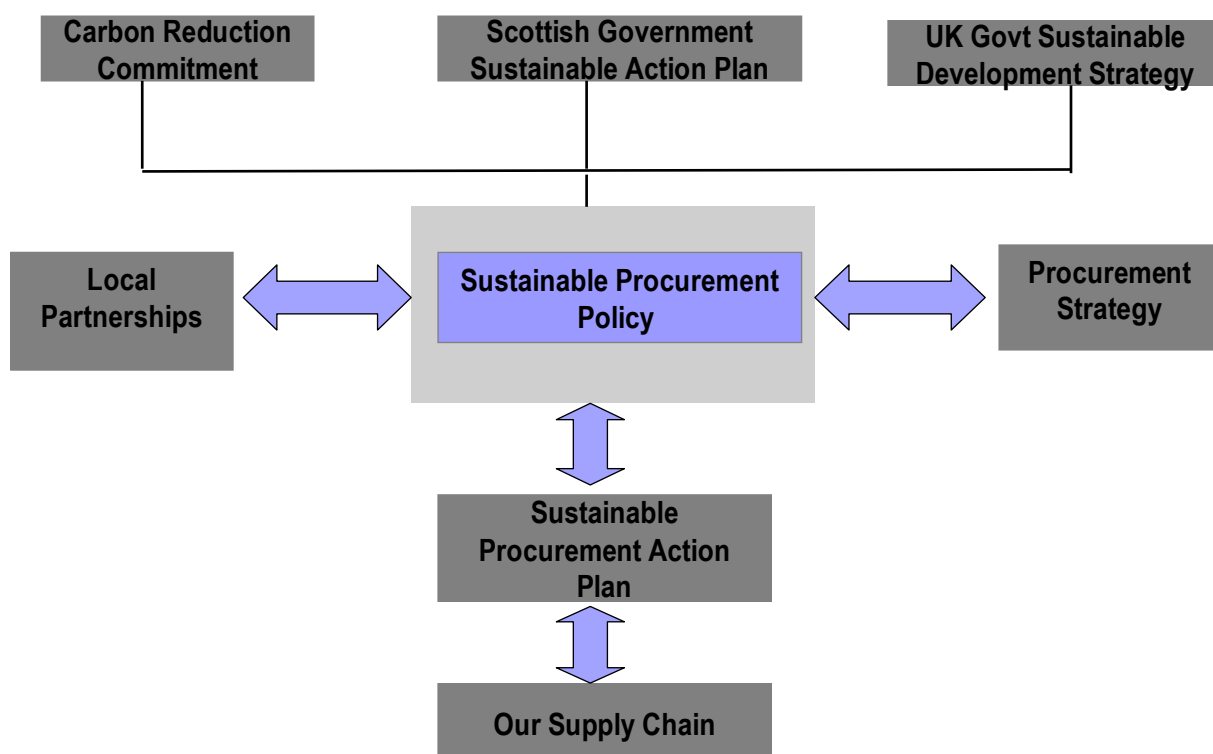


Figure 1 Drivers for the Sustainable Procurement Policy.

#### **Social Aspects**

The social aspects of sustainable development can be defined as meeting the needs of all people in existing and future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity for all. The Council will endeavour to ensure transparency, clarity and functionality of all procurement tendering and supporting documentation produced. This will involve consideration of the appropriateness of all tendering conditions.

### **Supported Business**

Where applicable, as provided for by EU procurement rules, the Council will restrict participation in tendering to supported factories and businesses. This is generally described as “Article 19” procurement. This is endorsed by the Scottish Procurement Directorate in their Scottish Procurement Policy Note (SPPN 10/2010).

### **Employability**

Where applicable, as provided for by EU procurement rules, the Council will seek to ensure tendering opportunities provide benefits for the economy and leave a lasting positive legacy. We will consider the inclusion of specific community benefit clauses, on a project by project basis. Community benefits will typically focus on:

- Delivering employment and training opportunities for local people
- Apprentice opportunities
- Support for Local Businesses – promotion of sub-contract and supply opportunities for local businesses;
- Promotion of Construction – through awareness raising activity and promotion of workforce development and lifelong learning opportunities;
- Provision of a Council Point of Contact - provide a dedicated point of contact to coordinate with construction subcontractors to secure opportunities from the activity and link with providers as required; and
- Construction Skills Bank and Vacancy Management Training Interventions - develop consultation with contractors training programmes when required to support individuals to access opportunities.

### **Devolved Services Organisation**

Under the existing agreements with Tayside Contracts, the Council will continue, where deemed appropriate, to award contracts directly to Tayside Contracts subject to evidencing best value.

### **Shared Services**

The Council will continue to deliver shared services where deemed appropriate and will continually review the business requirement to assess where efficiency and improvement can be delivered through a shared service approach.

### **Economic Aspects**

The economic aspects of sustainability can be defined as building a strong, stable and sustainable economy which provides prosperity and opportunities for all. In terms of delivery of value for money we need to embed sustainability into the early stages of the procurement process to ensure the selection criteria take cognisance of the Most Economically Advantageous Terms for the Council. There will be commitment to the economy through ongoing proactive engagement with the supply market to ensure there is an equal opportunity to compete for business. This is further strengthened by the Council's commitment to the Supplier Charter,

membership of the Supplier Development Programme, continued support and attendance at “Meet the Buyers” events and the provision of advice and guidance in terms of how to tender to the SME community.

To increase the level of opportunities, tenders will be advertised on <http://www.publiccontractsscotland.gov.uk/>

### **Environmental Aspects**

The environmental aspects of sustainability can be defined as those that respect the planet’s environment, resource and biodiversity. We aim to improve our environment and ensure that the natural resources needed for life are not damaged and remain so for the future. The Council is committed to ensuring that environmental issues are proactively addressed in all aspects of procurement policy.

### **Our key sustainability objectives**

Sustainable procurement can offer whole life cost efficiency, supports our commitment to Corporate Social Responsibility, evidences that we are a responsible public body and can promote health improvements amongst all our stakeholders.

The Council will, through their procurement activities and using appropriate and effective evaluation techniques, strive to:

- Promote use of local products and services
- Create job opportunities for local people, and increase the number of apprentices in employment
- Engage effectively with the third sector and SMEs
- Influence the supply chain to promote sustainable procurement
- Reduce greenhouse gas emissions and mitigate the impacts of Climate Change
- Increase our use of renewable energy and energy efficient products
- Increase the percentage of reused, recycled and sustainable or ethically sourced materials, resources and products
- Reduce the percentage of waste to landfill

### **What else will we do?**

In order to deliver on our objectives, we aim to:

- Reduce the purchasing of new products
- Cut down on waste <>Repair <> Reuse <> Recycle
- Consider value for money in terms of whole life cost
- Improve our specifications - we will aim to purchase products which are
  - made of recycled materials and can be recycled or reused;
  - can be operated in an energy efficient manner
  - have the minimum impact in terms of production, distribution, transportation & use and disposal

Furthermore we will:

- Explore the availability of, and use wherever possible, ethically traded type goods;

- Purchase, whenever practical, materials and substances which are the least harmful to health and the environment;
- Include environmental considerations in all relevant contract documentation;
- Contract manage, and work together, with suppliers to improve environmental performance; and
- Work in partnership with other Council Services to raise staff awareness about sustainability through the provision of information and training.

Our view is that Sustainable Procurement **is** Best Practice Procurement. This policy applies to all our purchasing activity. We want to encourage sustainable development through providing guidance, information and practical help to assist officers to buy or specify products that contribute to sustainable development.

### **Monitoring & Reporting Performance**

As an informative and simple means of self assessing our performance on sustainable procurement and to demonstrate commitment to the deliverables of this policy, the Head of Procurement will review and report on Sustainable Procurement Performance through the following channels:

- Annual report to the Procurement Steering Group, with subsequent report to respective Council committee as appropriate; and
- Through the Procurement Capability Assessment model.



## Appendix B

### Extract from the Procurement Capability Assessment questionnaire (2012)

#### Section 2 - PROCUREMENT STRATEGY AND OBJECTIVES

Is there a clear, systematic, holistic and well-researched framework to guide the organisation's purchasing decisions?

Are procurement strategies, policies, objectives and targets well-developed and sufficient?

Question	Level 0	Level 1	Level 2	Level 3
<b>2.1 How developed is the organisation's procurement strategy?</b>	No documented procurement strategy for the organisation or some strategic direction documented, although not complete. There is no link between the organisation's procurement strategy and the organisation's strategic plan	A documented and current procurement strategy has been signed off by the Board.  Procurement Strategy is aligned to the organisation's strategic plan and core business and service objectives and the SPCD Policy Handbook.  It is communicated to the Procurement team and all those with delegated authority.	Strategy communicated across the organisation.  The strategy defines the organisation's position with regard to sustainability in procurement.  An action plan has been developed from the procurement strategy complete with objectives and performance measures and is updated at least annually.  Team objectives reflect the procurement strategy.	Strategy fully aligned with the national and sectoral strategies and policies, including SPPNs.  The organisation's procurement strategy also covers continuous improvement of its procurement activities (eg PCA action plan), collaboration and supplier management, with specific reference to core business and services strategies and the wider procurement reform programme.  Individual staff objectives reflect the procurement strategy

The Sustainable Procurement Policy submitted for approval with this report will form part of the evidence presented at Level 2 for this question.

## Section 4 - COMMODITY/PROJECT STRATEGIES & COLLABORATIVE PROCUREMENT

Can the organisation demonstrate a clear understanding of how it can best satisfy its core supply needs?

Is there a rigorous, high quality process for developing commodity/project strategies for all procurement spend within the organisation?

<p><b>4.4 How does the organisation take account of sustainability in its procurement activity?</b></p> <p><b>N.B This includes Community Benefit Clauses (CBCs) and capacity building for SMEs (including 3rd Sector).</b></p>	<p>Procurement strategy, policy and procedures take no account of sustainability, including Community Benefit Clauses and building capacity for SMEs. OR Strategy, policy and procedures in place, but no outcomes from these are in evidence.</p>	<p>Sustainable procurement strategy, policies and procedures are in place and are incorporated into major projects.</p> <p>Some social, environmental and economic sustainability outcomes have been delivered.</p>	<p>The organisation can demonstrate that procurement exercises have successful sustainability outcomes and are meeting the sustainability targets from the procurement strategy.</p> <p>There are clear objectives and actions within an improvement plan to build capacity for SME engagement and to increase community benefits as an outcome of the procurement process. Organisations can evidence progress against the action plan.</p>	<p>Evidence shows that sustainability is considered by all procurement practitioners at every stage of the procurement process across all areas of influenceable spend, covering supplies, services and works.</p> <p>The procurement team can demonstrate the success of the above.</p>
<p><b>4.5 How does the organisation monitor its progress towards demonstrating sustainable procurement practices and processes?</b></p>	<p>The organisation has not yet assessed itself against the Flexible Framework (FF) self-assessment tool contained in the Scottish Sustainable Procurement Action Plan.</p>	<p>The organisation has assessed itself against the FF. It has a plan of improvement activities required to achieve level 3 in the FF and can demonstrate progress against the objectives.</p>	<p>The organisation has assessed itself at level 3 in all 5 areas of the Framework and can evidence the outcomes of their achievement.</p>	<p>The organisation can demonstrate through outcomes that they have achieved level 4 in the FF and have a plan in place to achieve L5 within 2 years.</p>

Approval by committee of the appended Sustainable Procurement Policy will enable the delivery of the social, economic and environmental benefits that these questions are seeking to evidence.