



House of Commons  
Environmental Audit  
Committee

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# **Sustainable Procurement : the Way Forward**

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**Third Report of Session 2005–06**





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Environmental Audit  
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**Sustainable Procurement :  
the Way Forward**

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written evidence*

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## The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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### Publication

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A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are: Mike Hennessy (Clerk); Lynne Spiers (Second Clerk); Eric Lewis (Committee Specialist); Elena Ares (Committee Specialist); Richard Douglas (Committee Specialist); Louise Combs (Committee Assistant); Caroline McElwee (Secretary); and Robert Long (Senior Office Clerk).

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### References

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by page number as in 'Ev12'. number HC \*-II





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## Conclusions and recommendations

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1. We look forward to the Sustainable Procurement Task Force's Action Plan and hope that it sets out directly and clearly exactly how the Government and the public sector at large may transform sustainable procurement from an opportunity to an achievement. (Paragraph 4)
2. It is to be hoped that the significant and clear accord between the conclusions of our predecessor Committee's Report and those of the National Audit Office Review serve as notice to the Government that the condition of sustainable procurement in government is indeed far from satisfactory. (Paragraph 8)
3. The Action Plan must deal with this confusion of leadership over sustainable procurement decisively. The implementation of the Action Plan will require considerable will and determination at both political and high official levels to be successful. A manifest leader is needed to ensure that this happens. (Paragraph 11)
4. It makes sense that since the Office of Government Commerce leads on procurement so it must lead on sustainable procurement. It must do so by making clear that they are—or should be—one and the same: all procurement should be as sustainable as possible, and procurement decisions should all be founded upon an understanding of the principles of sustainable development. As sustainable procurement requires Cabinet level leadership, to be promoted effectively the Chief Secretary at the Treasury should be tasked to lead on this subject. (Paragraph 14)
5. The Treasury must address the current financial, costs and savings, preoccupation of the Office of Government Commerce's targets and Public Service Agreements. A new target or priority needs to be set - a new Public Service Agreement ought to be considered if appropriate - which reflects the Office of Government Commerce's new drive for sustainability in procurement. (Paragraph 14)
6. The Office of Government Commerce must also consider the need to report to Parliament on its drive for greater sustainability within procurement, initially on an annual basis. (Paragraph 14)
7. Sustainability has to be at the core of purchasing and, within the context of climate change, carbon emissions targets and the threats to biodiversity world-wide, environmental considerations should be treated as seriously as pure financial considerations. (Paragraph 14)
8. With the right targets and procedures, and with good committed leadership at a high enough level alive to the need to issue accurate and regular reports against its targets, the Office of Government Commerce would be best equipped and best placed to push forward the sustainable procurement agenda. (Paragraph 15)
9. Every department of Government will need a sustainable procurement champion of sufficient seniority to ensure that the Treasury and the Office of Government Commerce will be successful in the long term in spreading the word across government. (Paragraph 16)

10. It should be the responsibility of the ‘green’ Minister in particular to ensure that at a high level within his or her own department those officials tasked with budgetary and procurement oversight are appropriately trained and advised, and that the recommendations set out within the Sustainable Procurement Task Force’s Action Plan are indeed acted upon and not just read with interest and then ignored. (Paragraph 16)
11. Perhaps the most important component within these issues of training and guidance is that all necessary levels and parts of a department’s hierarchy must be included within their scope. (Paragraph 19)
12. We need to see a green streak running right through government and from top to bottom through individual departments before we can expect them to take on a greener complexion overall. Departments must make it a priority to establish a roster for the training of key staff, starting at the top. (Paragraph 19)
13. The Government must provide resources sufficient to ensure that departmental procurement staff—and, where appropriate, budgeting staff—are trained to a level which will permit them to incorporate sustainability into cost-effective procurement decisions. (Paragraph 20)
14. A much broader array of successful (and unsuccessful) case studies in sustainable procurement needs to be broadcast across government as a matter of some urgency. (Paragraph 21)
15. The *sustainable solutions* web-site needs to be up-and-running as soon as possible; other procurement web-sites also need to maximise their coverage of sustainability and make environmental issues much more prominent, indeed central, to their contents. (Paragraph 22)
16. The case for sustainable procurement can be made from the principles of sustainable development alone—and so is not cost-dependent—but a good case can also be made that sustainable choices often work out cheaper in the long term. Data is needed to make this point clear—more data than is currently available—and we hope that the Action Plan sets set out clearly and specifically not only what data needs to be captured, but how it is to be collated, by whom—and how it will be then made available. Obviously, if the Office of Government Commerce is to lead on the agenda then the Office of Government Commerce needs to be at the centre of this work. (Paragraph 24)
17. Whatever the Office of Government Commerce and the Department for Environment, Food and Rural Affairs may have said in their evidence to us there is still in many government departments a clearly undesirable tension between what is seen as cost-effective and what is seen as sustainable procurement, a tension which needs to be resolved as a matter of urgency. (Paragraph 25)
18. It is vital that—if they are not currently in communication on this matter —the Sustainable Development Commission and the Sustainable Procurement Task Force discuss as soon as possible their common understanding of what is needed in terms of data to be collected on sustainable procurement. (Paragraph 26)

19. Unless efforts are made to create comparability and commonality amongst options for reporting, the outcome could be intolerably complicated and unclear. We expect all those involved in this area to collaborate on a clear structure for comparable and complementary reporting in whichever individual areas are necessary. (Paragraph 28)
  20. Departments must also look to develop policies to deliver important objectives in sustainable procurement when targets alone are clearly failing. (Paragraph 29)
  21. We believe that there is some urgency for general targets for sustainable procurement to be agreed for local authorities. Central and local government representatives should enter into a dialogue to set such targets and to improve the promotion and dissemination of good local practice. Those local authorities at the cutting edge of sustainable procurement must be encouraged to play a leading part in this, and to provide useful examples of how sustainable procurement practices can be effectively costed. (Paragraph 31)
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## Introduction

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1. During the last months of the 2001 Parliament, the Environmental Audit Committee (EAC) conducted a short inquiry into how the Government was bringing the principles of sustainable development (SD) to bear upon its procurement policy and advice. The Committee agreed a short Report on this subject, just a few weeks prior to the 2005 General Election, and expressed the hope that its successor Committee would return to the subject of sustainable procurement early in the new Parliament, to take advantage of the work that it knew the National Audit Office (NAO) was at that time undertaking in this area.<sup>1</sup>

2. The new Environmental Audit Committee met for the first time on 14 July 2005. At that meeting, we decided to launch a short follow-up inquiry on sustainable procurement. The purpose of this inquiry was to ascertain what progress had been made since the predecessor Committee's Report of April 2005, to take advantage of the analysis and assessment contained within the NAO's review of sustainable procurement—which was due to be published in September 2005—and to help inform the work of the Sustainable Procurement Task Force (SPTF), which was set up very shortly after the April 2005 EAC report and which was due to report to the Government with an Action Plan by April 2006.

3. We launched our inquiry on 1 September 2005, the day that the NAO issued its Review, *Sustainable procurement in central government*. We received 14 memoranda from, amongst others, the Environment Agency (EA) and the Sustainable Development Commission (SDC). We also took oral evidence from the Office of Government Commerce (OGC), the agency which, under Her Majesty's Treasury (HMT), oversees and advises upon government procurement policy, and from Elliot Morley MP, an *ex officio* member of EAC and Minister of State at the Department for Environment, Food and Rural Affairs (DEFRA). We are grateful to all those who submitted evidence or appeared before us. We are particularly grateful to the NAO for its excellent Review which provided us with an up-to-date and comprehensive assessment of the situation when the inquiry was launched.

4. While undertaking this short inquiry we were of course mindful of the work being carried out by the SPTF. The Task Force has an enormous amount of work to rationalise and sum up in its soon-expected Action Plan. This Plan will hopefully give greater momentum, clarity and focus to this area of government activity, qualities which it has by and large lacked despite the work of Elliot Morley and DEFRA to engage the rest of Government, and OGC in particular, in this agenda. Procurement ranges from the purchase of paper-clips through to buildings and IT systems, and many small-scale procurers often feel under-empowered to purchase more sustainably while large-scale procurers often have their attention drawn away from SD and environmental issues by other pressing concerns—notably deadlines and cost. Approximately £125 billion is

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1 Environmental Audit Committee, Sixth Report of Session 2004-05, *Sustainable Public Procurement*, HC 266

spent each year on procurement within the public sector<sup>2</sup> of which £15 billion is spent directly by central government departments and their executive agencies<sup>3</sup>—this is money which, if spent sustainably, could transform markets and business in an innovative and environmentally sound way. The repercussions of such sums spent unsustainably are obvious. **We look forward to the Task Force’s Action Plan and hope that it sets out directly and clearly exactly how the Government—and the public sector at large—may transform sustainable procurement from an opportunity to an achievement.**

## Background

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5. Our predecessor Committee’s inquiry into sustainable procurement was announced in December 2004, against a background of increasing concern that what momentum the agenda had possessed was quickly dissipating, and amidst anxieties that there were a significant number of obstacles still in the way of necessary progress which required accurate identification. The Committee’s eventual Report, published in April 2005, recommended that:

- there needed to be much better leadership within government on sustainable procurement,<sup>4</sup>
- OGC needed to do more to move the agenda forward,<sup>5</sup>
- targets, backed by clear policy decisions, were needed to trigger off more sustainable procurement activity within individual government departments,<sup>6</sup> and
- current internet facilities to help spread the word and give clear and accurate information about how to procure more sustainably were poor.<sup>7</sup>

It also pointed out that the signal lack of data in this area was hampering current procurement activity and, unless better recording and data capture facilities were put in place, would prevent any understanding of whether or not future policies and procedures were making procurement more or less sustainable or not. Success in any field can only be ascertained by some form of measurement, and without data, measurement is simply not possible.

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2 Q6

3 National Audit Office review, *Sustainable procurement in central government*, September 2005: executive summary, para. 1

4 HC 266, para 10

5 *ibid.*, para 16

6 *ibid.*, para 14

7 *ibid.*, para 13

6. In May 2005, the Government established the SPTF, with a remit to produce an Action Plan by April 2006. The SPTF is a large business-led body made up of individuals from industry and from the public sector, spanning the breadth of expertise and understanding in this area.<sup>8</sup> The intention is that the Action Plan will set out how to:

- avoid adverse environmental impacts arising on the government estate and in the supply-chain,
- make more efficient use of public resources,
- stimulate the market to innovate and to produce more cost effective and sustainable options for all purchasers, and
- set an example for business and the public and demonstrate that government and the wider public sector is serious about sustainable development.

These elements are all to be set within the context of ensuring that the UK Government is one of the leaders in sustainable procurement within the EU by 2009. The Task Force, under the Chairmanship of Sir Neville Simms, has established a number of working groups, on international benchmarking, data gathering and prioritisation, on working with suppliers to achieve improvements, on Government accounting and budgeting, and on capacity building, training and skills. Despite what many commentators (and those supplying memoranda to us)<sup>9</sup> have described as a heavy workload, the SPTF still intends to produce its Action Plan by April 2006.

7. The NAO Review, published on 1 September 2005, was based upon validated data contained within the Sustainable Development in Government 2004 Report (SDiG 2004) and upon discussions held with procurement experts, including those within the trading arm of OGC, namely OGCBuying.solutions. Some of this work was already under way at the time of our predecessor Committee's inquiry. The Review presents a significant number of important recommendations and conclusions. Amongst other things, it:

- summarises the barriers to the implementation of sustainable procurement most widely perceived by those 'at the sharp end' in government;
- stresses how departments within Government struggle to reconcile sustainable procurement and the need to reduce cost;
- places great emphasis upon the need for stronger leader on sustainable procurement;
- points out how the decentralisation of procurement activity makes sustainable procurement more difficult to implement than would otherwise be the case; and

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8 see [www.sustainable-development.gov.uk/delivery/global-local/ProcurementTaskForce.htm](http://www.sustainable-development.gov.uk/delivery/global-local/ProcurementTaskForce.htm)

9 see, for example, Ev27, 2.8.1

- indicates that sustainable procurement is hampered by a lack of knowledge because of lack of training and the insufficiency of current guidance.<sup>10</sup>

DEFRA has clearly stated to us that it will not be responding formally to the NAO's recommendations,<sup>11</sup> although in a supplementary memorandum to us, OGC said that it was preparing a response.<sup>12</sup> Curiously, neither DEFRA nor OGC used its joint memorandum to us to read to—or even to mention—the NAO Review. As this response has not yet been received by NAO, we have used this opportunity to express again several of the NAO's key recommendations and conclusions which we agree with and consider most vital in this area.

8. This is the background against which we have conducted this short inquiry, and the NAO Review in particular has provided us with important insights into, and confirmation of, many areas of our predecessor Committee's work. **It is to be hoped that the significant and clear accord between the conclusions of our predecessor Committee's Report and those of the NAO Review serve as notice to the Government that the condition of sustainable procurement in government is indeed far from satisfactory.** While it could be said that the Government acknowledged as much by its establishment of the SPTF, we are nonetheless disappointed that while the SPTF has been conducting its work so little has been done to remedy problems clearly outlined in both of those publications. For example, the Government could have acted upon the straightforward recommendations in the NAO Review that OGCbuying.solutions should make it easier for departments to procure products meeting the Quick Wins specifications through its web-site.<sup>13</sup> This could easily have been taken forward in the last six months while the SPTF was undertaking its work. The SPTF may well deliver an Action Plan that is radical and clear enough to make great progress, but that result will not have been helped by the complacency of the last 9 months. We also very much hope that the SPTF considers our recommendations and conclusions before it reports its Action Plan to the Government; and we expect the Government to respond to our Report in the light of that Plan. The sort of dialogue that this interaction represents is central to our common aspiration that the sustainable procurement agenda may be moved forward as quickly and effectively as possible.

## Leadership

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9. There can be little doubt that, from the memoranda we have received, and from commentaries and articles on the subject of sustainable procurement published in the specialist SD and public service press over the last few months, the principal outcome sought and hoped for from the Action Plan has to be clear and enthusiastic leadership

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<sup>10</sup> NAO Review, executive summary

<sup>11</sup> Q80

<sup>12</sup> Ev11

<sup>13</sup> NAO Review, executive summary, p5

for the sustainable procurement agenda within Government.<sup>14</sup> The SDC in its memorandum to us talks of lack of leadership as one of the main barriers to successful implementation of sustainable procurement policies and procedures.<sup>15</sup> The EA likewise in its memorandum says that sustainable procurement needs "leadership from the top", something it is currently lacking.<sup>16</sup> This echoes what our predecessor Committee said in its April 2005 Report. Moreover this point is further reinforced by the NAO Review from September 2005 which clearly states that "stronger leadership may be required" and that, for procurement teams, there is no "sufficient indication ... of senior commitment to this agenda".<sup>17</sup> The Review also adds that procurement teams in nine government departments felt that there was insufficient leadership.<sup>18</sup>

10. As things currently stand, OGC is tasked by the Treasury to lead on procurement for Government. When sustainability in procurement enters the picture, however, things become more confused. As our predecessor Committee noted in its April 2005 Report: "OGC made it very clear... that it sees its position as advisory to DEFRA" on sustainable procurement while "DEFRA ..was not at all clear as to whom it considered to be the lead department on this issue".<sup>19</sup> Indeed, OGC will not lead on anything unless it is told to do so by the Treasury from whom it rightly takes its orders. To compound matters, at the moment no-one anyway appears to be leading on this agenda: presumably, this unnecessary hiatus is connected with the unfortunate view that there is no point initiating any action until the Task Force reports.

11. To the casual observer this situation appears to be far from satisfactory: to the more enlightened observer this is clearly a recipe for disaster—at best inaction leading to regress. **The Action Plan must deal with this confusion of leadership over sustainable procurement decisively.** There is a fear that when the Task Force reports, no-one will assume leadership in or ownership of this agenda. Sir Neville Simms, who chairs the Task Force, said in a recent interview, that there has to be "sufficient political capital invested in ...[sustainable procurement]...from outside the Task Force".<sup>20</sup> **The implementation of the Action Plan will require considerable will and determination at both political and high official levels to be successful. A manifest leader is needed to ensure that this happens.**

12. So who should lead? Where should ownership of sustainable procurement across government lie? The temptation is to saddle DEFRA with leadership in this area: that is, after all, where the sustainable procurement agenda currently seems to sit. DEFRA has a Minister who has given to the agenda what little momentum it possessed until the setting

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14 see *Green Futures*, Number 55 (Nov/Dec 2005), pp16-23

15 Ev47, para 11

16 Ev26, 2.1.1

17 NAO review, p30, paras 4.11 to 4.14

18 NAO Review, p30, para 4.11

19 HC266, para 11

20 *Public Service Director*, January 2006, pp34-6

up of the Task Force. DEFRA is fully cognisant of the importance and complexity of the whole SD agenda which should underpin government procurement. However, EAC has in the past commented upon how ineffectual DEFRA often appears to be when it tries to push an agenda across government:<sup>21</sup> for whatever reason, DEFRA seems to lack weight in Cabinet-level discussions and deliberations and SD often seems to become imprisoned within its own walls. Nor has the work of its own Sustainable Development Unit (SDU) been a cause for wild celebration and applause despite the dedication of its staff: its message appears not to have travelled far or well. However green DEFRA may turn, its complexion rarely appears to be contagious within government. Moreover, in the past DEFRA's role in driving this agenda forward was linked to its role in SDiG. Now that the SDC has taken over 'ownership' of SDiG, it could be argued that DEFRA has no formal remit in this area any longer.

13. It is obviously important for any decisions over leadership to take into account the practical realities of the current situation, no matter how much those realities might need to improve. A middle-level procurer in the Department of Culture, Media and Sport (DCMS) or in the Ministry of Defence (MoD) is much more likely to contact OGC, to read its guidance or look up its web-site than he is to speak to someone at DEFRA or trawl its web-site for details, especially if he is—as most procurers are (being a reflection of the public at large) – not already committed to and trained in the principles of sustainability. This habit—this grain of process—is one which, where possible, it is more useful to work with than against. Now OGC is an agency of the Treasury, and EAC has in the past had occasion to criticise HMT (as it has OGC) for failing to be as dedicated to SD and all that it entails as it ought to be. Indeed our Committee has engaged in discussions with HMT annually, during our Pre-Budget and Budget inquiries, over the fiscal and financial presumptions in the Treasury's deliberations that sometimes appear to over-rule SD presumptions. We know that the current Financial Secretary well understands our position, and that of other bodies attempting to press government to green its operations and policies; and the Treasury is no stranger to issues of environmental sustainability even if it is not always their ally.

14. **Clearly, it makes sense that since OGC leads on procurement so it must lead on sustainable procurement. It must do so by making clear that they are—or should be—one and the same: all procurement should be as sustainable as possible, and procurement decisions should all be founded upon an understanding of the principles of SD. As sustainable procurement requires Cabinet level leadership, to be promoted effectively the Chief Secretary at the Treasury should be tasked to lead on this subject.** At the moment, OGC has as its priorities the need to assist the public sector's £21.5bn annual efficiency gains by 2007/08, to help make a £3bn saving by 2007/08 in central Government procurement, and to play a key part in the improvement in the success rate of mission critical projects.<sup>22</sup> **HMT must address the current financial, costs and savings, preoccupation of OGC's targets and PSAs. A new target or priority needs to be set - a**

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21 For example, EAC's 13<sup>th</sup> Report of Session 2003-04, HC 624-I, para 84

22 see the OGC web-site: [www.ogc.gov.uk](http://www.ogc.gov.uk)

**new PSA ought to be considered if appropriate - which reflects OGC's new drive for sustainability in procurement.** Such a target or PSA needs to be sufficiently specific to act as a powerful enough driver within OGC for change. **OGC must also consider the need to report to Parliament on its drive for greater sustainability within procurement, initially on an annual basis.** This would—we hope—help focus minds at the highest levels within OGC and HMT. HMT must also address the blinkered culture that prevails within OGC (and no doubt to a good degree within its own walls). This culture of course also prevails within other departments: the NAO Review reveals that 14 departments reported that reducing costs was considered more important than the drive towards sustainability.<sup>23</sup> EAC has pointed out before that SD is too often an optional extra for departments, even where the work of a department is central to the functioning of government and has significant environmental implications—as is the case with HMT and OGC. In evidence to us OGC seemed keen to reduce SD to an array of options, of which environmental sustainability was only one, and that far down the list.<sup>24</sup> This too has to change: **sustainability has to be at the core of purchasing and, within the context of climate change, carbon emissions targets and the threats to biodiversity world-wide, environmental considerations should be treated as seriously as pure financial considerations.**

15. We are not alone in thinking that OGC ought to take the lead on this agenda, regardless of how uncertain its current grasp of how important and central to its work SD appears to be. The EA in its evidence to us suggested that as "OGC takes the lead on public procurement across government, OGC should therefore lead on sustainable procurement. If [it] does not then sustainable procurement could be seen as a fringe issue" (as indeed it is currently). Jonathon Porritt from the SDC commented in the November/December issue of *Green Futures* that "we need a much clearer role for the Office of Government Commerce in driving this agenda across government. I'd like to see director-level responsibility allocated there, and the OGC report its performance on sustainability to the PAC". In the same article he likewise identified OGC as having been "distinctly half-hearted on sustainability". However, **with the right targets and procedures, and with good committed leadership at a high enough level alive to the need to issue accurate and regular reports against its targets, OGC would be best equipped and best placed to push forward the sustainable procurement agenda.** We nonetheless expect that this will be a difficult task. The SD leaders in six government departments reported to the NAO that they felt "unable to exert sufficient influence to enforce the implementation of existing environmental purchasing policies."<sup>25</sup> As the Meat and Livestock Commission (MLC) said in its evidence to us, "sustainable procurement ... requires a sea-change in attitude from those tasked with delivery".<sup>26</sup> To ask OGC to lead on sustainable procurement under the direction of the Chief Secretary requires this sea-change.

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23 NAO Review, p30, para 4.6

24 Qq30&37

25 NAO Review, p30, para 4.14

26 Ev39

16. In order to assist in this work, therefore, **every department of Government will need a sustainable procurement champion of sufficient seniority to ensure that the Treasury and OGC will be successful in the long term in spreading the word across government.** The NAO Review pointed out from the data collected for SDiG 2004 that there are some significant differences across government in the way that this agenda is dealt with and prioritised, and some serious gaps and omissions. All departments need equally to grasp the need to make their procurement as green as possible, and to that end clearly each department's SD or 'green' Minister must play his or her part. **It should be the responsibility of the 'green' Minister in particular to ensure that at a high level within his or her own department those officials tasked with budgetary and procurement oversight are appropriately trained and advised, and that the recommendations set out within the SPTF's Action Plan are indeed acted upon and not just read with interest and then ignored.**

## Training

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17. Leadership will of course founder if those who lead and are led neither know where they are going or how they are going to get there. Procurement teams and others involved in the sustainable procurement agenda need to be brought up to speed as quickly as possible with all the implications of SD for their work. Likewise the ability to use often complicated guidance effectively—and we acknowledge that good procurement is not a straightforward business—presupposes not just good will but also good training. As was the case with leadership, many of the memoranda we received talked about the need not necessarily for better training—although some did—but for more frequent and extensive training covering all levels of the departmental hierarchy. As the Association of Sustainable Manufacturers (ASMa) said in its memorandum to us, "departments are not prioritising the provision of training on sustainable procurement. This is the missing link." The Business Services Association (BSA) in its memorandum to us also noted "the lack of training... as to what sustainable procurement is and how to achieve it".<sup>27</sup> Both of these organisations echoed what the NAO said, in its Review of September last year, that "departments should increase uptake in training on sustainable procurement" for both senior staff and procurement staff; and that this training should also spread to staff in decentralised purchasing teams. Currently, "procurement teams are not aware of the training opportunities which exist" and "do not have the resources to deliver training on sustainable procurement".<sup>28</sup>

18. Training of a moderately high quality in the broad principles underpinning the sustainable approach to procurement is already available but is infrequent: moreover, it seems principally to reach only those already interested in or committed to the sustainable

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27 Ev24

28 NAO Review, pp34-5, para 4.24 to 4.26

procurement agenda. Many of those running courses in this area report seeing the same faces from the same departments again and again—and those from SD rather than procurement teams—while it seems the message fails to reach most of those who need it in departments which have yet to move to adopt good principles of sustainability in their procurement activities. Indeed, some departments are possibly not touched at all by this agenda. The NAO in its Review found that only 4 departments had their own training and awareness programmes in sustainable procurement.<sup>29</sup> This must change. Other organisations have suggested that the guidance itself is insufficient and fails to make strong enough a case for sustainable procurement—and lacks the sort of detailed information which would make it of real practical use. Our predecessor Committee made this point when it commented that current UK guidance fails "to make the potential for incorporating environmental considerations into procurement contracts clear".<sup>30</sup> Again, the NAO in its Review pointed out that "departments find current guidance on sustainable procurement insufficient" and are often unaware of some of the guidance that does exist, including some elements, such as the Joint Note on Environmental Issues in Purchasing, which OGC and DEFRA both consider to be central to its output in this area. On a positive note it is good to report that the perception that sustainability in procurement conflicts with European legislation in this area has largely been overcome through good guidance.<sup>31</sup>

**19. Perhaps the most important component within these issues of training and guidance is that all necessary levels and parts of a department's hierarchy must be included within their scope.** This cannot be stressed too much. Progress cannot be made while senior procurement, budgetary or other officials are still over-ruling or impeding environmentally sound procurement decisions. It will always be easier for senior management to spread a message and its accompanying practice down an organisation than it will be for low and middle-level procurers to spread the message up. Better training and guidance extended within an organisation will still prove inadequate unless those at the top end of the hierarchy who have to oversee budgets and decisions in procurement across the organisation are likewise trained and in receipt of better guidance than currently obtain. **We need to see a green streak running right through government and from top to bottom through individual departments before we can expect them to take on a greener complexion overall. Departments must make it a priority to establish a roster for the training of key staff, starting at the top.**

20. ASMA in its memorandum to us suggested that there needed to be put in place a "national training programme for procurement personnel and specifiers so they can identify and evaluate sustainability".<sup>32</sup> In the NAO Review 4 departments concurred with this in saying that sustainable procurement training should be provided centrally.<sup>33</sup> It is clear that some new initiative is required to ensure that all procurement operatives—and

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29 *ibid.*, para 3.17

30 HC 266, para 8

31 NAO Review, p30, para 4.5

32 Ev27

33 NAO Review, p34, para 4.24

those responsible for budgets—undergo sufficient training to assist the Government in its aim to bring sustainability into the heart of their work. However, as the NAO Review emphasises, “departments do not have the resources to deliver training on sustainable procurement”.<sup>34</sup> As an earlier NAO Report found, less than one quarter of procurement staff are fully qualified.<sup>35</sup> Clearly, the Government cannot expect the cause of sustainable procurement to be furthered unless staff are better trained and advised, and this is as much a resource as a leadership issue. **The Government must provide resources sufficient to ensure that departmental procurement staff—and, where appropriate, budgeting staff – are trained to a level which will permit them to incorporate sustainability into cost-effective procurement decisions.** As we said earlier in this Report, this agenda requires a sea-change in culture: it also requires a sensible level of funding from Government.

## Evidence Base

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21. Good training and a raising of awareness can only be founded upon a sufficiency of accurate information to inform understanding and assist in making good choices and sustainable decisions. While there are still some issues about the quality of the available guidance, there is certainly a dearth of detail and hard substance within it. In particular there are too few case studies of successful (and unsuccessful) procurement decisions—speaking from a sustainability perspective—and not enough general data about how much procurement is indeed sustainable, or what the cost implications, positive or negative, have been. Such information is vital in order to inform more useful policy work in this area, and also to assist those who are making day-to-day and week-to-week decisions to make them well. Commentators have already pointed out to us that at the moment a small number of useful case studies are being circulated and re-circulated through guidance and training. **A much broader array of successful (and unsuccessful) case studies in sustainable procurement needs to be broadcast across government as a matter of some urgency.** The more cases studies—best, and worst, practice—there are in circulation, the more analogous one or two may be to a current situation for a practitioner. In short, the more there are, the more relevant they are; and the more relevant they are, the more useful they are.

22. A quick and efficient means of dissemination of data and case studies is the Internet. OGC has added to its web-site (and OGCbuying.solutions, likewise) since our predecessor Committee's criticism of it last year,<sup>36</sup> but its SD content is still far from prominent and indeed appears to be—once again—just one optional extra amongst others adverted to on the site. OGCbuying.solutions's web-site has improved far more, but the most promising

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34 NAO Review, p35, para 4.24

35 NAO, Improving Procurement: Progress by the Office of Government Commerce in improving departments' capability to procure cost-effectively, HC 361-I, 12 March 2004, p10

36 HC266, para13

web-site, [www.sustainablesolutions.gov.uk](http://www.sustainablesolutions.gov.uk), is still a pilot, under indiscernible development, the near useless state in which it has languished since early 2005. Its section for case studies is now “currently under review”, until recently having been filled with incomprehensible macaronic text. OGC explained to us—after an apology as to the continued lack of usefulness of the site—that this pilot episode in the web-site's development was necessary.<sup>37</sup> However, it is still not clear why such a lengthy period for piloting this web-site—with so little progress visible during that time—was required. Little if anything seems to have changed in the two months since then—and it is difficult to imagine that as low a priority as appears to have been accorded to this excellent idea for a sustainability web-site would have been granted to one advising on HMT-ordained cost savings, for example. **The sustainable solutions web-site needs to be up-and-running as soon as possible: other procurement web-sites also need to maximise their coverage of sustainability and make environmental issues much more prominent, indeed central, to their contents.** Again, within the current culture of OGC, sustainability is simply a low priority and an optional extra.

23. The lack of hard data in this area also means that the evidence base necessary for making clear the cost and other benefits of sustainable procurement to those within the Government who are still sceptical on this issue is just not available. While the Government has clearly stated (in its Sustainable Development Strategy, for example<sup>38</sup>) that sustainable procurement is the only way forward, and while, regardless of how sustainable procurement is perceived within individual government departments, it has to be the duty of 'green' or SD Ministers in particular, and of senior officials, to spread the word and ensure conformity to the principles of sustainable procurement, people also need to be won over to the cause.

24. HMT, through the advice that OGC offers, appears to believe that whole-life costs, still not assessed as frequently in procurement decisions as they ought to be (and advice to do so predates the adoption of SD principles and goes back some 25 years),<sup>39</sup> should feature regularly and prominently in procurement decisions. This conviction may still be only partial or superficial in parts of the Treasury and OGC—and whatever scepticism lies beneath this surface acceptance is no doubt mirrored inside other departments. **The case for sustainable procurement can be made from SD principles alone—and so is not cost-dependent—but a good case can also be made that sustainable choices often work out cheaper in the long term. Data is needed to make this point clear—more data than is currently available—and we hope that the Action Plan sets set out clearly and specifically not only what data needs to be captured, but how it is to be collated, by whom—and how it will be then made available. Obviously, if OGC is to lead on the agenda then OGC needs to be at the centre of this work.**

25. Even were the conviction to be held firmly by OGC and procurement teams across the Government that sustainable choices can work out as cheaper choices over time, they

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37 Q23

38 see *Securing the Future- UK Government sustainable development strategy*, Chapter 3, part 5

39 Ev28

would face the very real likelihood of an initially higher outlay for a purchase—justifiable on grounds including lower whole-life costs—being turned down by those financially responsible. This emphasises the need for those responsible for budgets—even those at the highest level in a department—to be involved in the sustainable procurement agenda and to be trained and advised to the requisite level. We have touched on this earlier in dealing with training, but it bears repeating. The monomaniac focus on cost savings by departments’ finance officials threatens to overturn what good work and clear progress is often made by procurement teams. It is perhaps necessary again to refer to the NAO Review which revealed that 14 government departments reported that reducing costs was considered more important than the drive towards sustainability.<sup>40</sup> Nor are externalities properly reflected in assessments of cost. **Whatever OGC and DEFRA may have said in their evidence to us there is still in many government departments a clearly undesirable tension between what is seen as cost-effective and what is seen as sustainable procurement, a tension which needs to be resolved as a matter of urgency.**

## Targets and Reporting Progress

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26. The NAO Review from September last year was rightly critical of the quality of the data on sustainable procurement collected through the SDiG 2004 Report.<sup>41</sup> Currently, the framework for the next round of SDiG (which will be SDiG 2006) is under development by SDC, the responsibility for this having been handed over from SDU within DEFRA. This framework needs to be in place by the end of March this year, and we hope that this deadline is achieved in order that more accurate and pertinent data may be collected straightaway. Any hiatus, given the urgency of this agenda, would be unfortunate. It would be even more unfortunate if the sort of data—and the form of its selection and presentation—required under the Action Plan (if it indeed prescribes in that area) were to conflict with the SDC’s own determination as to what should feature in future data. **It is vital, therefore, that—if they are not currently in communication on this matter—SDC and the SPTF discuss as soon as possible their common understanding of what is needed in terms of data to be collected on sustainable procurement.**

27. The Government—as well as those scrutinising it—needs an accurate assessment of the current state of sustainable procurement as soon as possible, as a base-line against which to assess progress. Targets become meaningless if it cannot be ascertained whether or not they have been approached or passed. Clearly, if targets are going to be set, and if reports against targets are going to be conducted with some regularity (all of which we expect the Plan to recommend and which—regardless—*we* forcefully recommend); and if those reports are to be monitored (and we stand prepared alongside SDC to monitor this activity), then these targets and reports have to be established and carried out systematically. The most recent SDiG targets were process-based: while data collection was poor, the nature of the targets

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40 NAO Review, p30, para 4.6

41 *ibid.*, Part Two

themselves made the collated information less useful and less illuminating than it otherwise might have been. There is very clearly a need to incorporate some output-based targets within whatever portfolio of targets is eventually decided upon.

28. We will shortly be reporting to the House of Commons on the increasingly complex issue of SD and environmental reporting in government.<sup>42</sup> When there are overlapping responsibilities there is as much a danger of inactivity as there is of confusion. In the field of sustainable procurement there is currently no *most* appropriate way of reporting on SD generally or in terms of specific targets and aspirations. Sustainable procurement is of course part of the Sustainable Development Strategy and thus reports on progress in government against the Strategy would incorporate elements concerning sustainable procurement. Such reporting would be ‘owned’ by the Government as a whole. Likewise, sustainable procurement falls within the ambit of departmental SD Action Plans (which were expected to be completed at the end of last year—only a small number have been finalised and are currently in the public domain): these Action Plans are owned by the individual departments concerned. Sustainable procurement is also expected to fall, as it has done in the past, within the framework for SDiG reporting, which is currently owned by SDC. **Unless efforts are made to create comparability and commonality amongst these options for reporting, the outcome could be intolerably complicated and unclear. We expect all those involved in this area to collaborate on a clear structure for comparable and complementary reporting in whichever individual areas are necessary.**

29. Our predecessor Committee’s Report talked of the need for targets to help trigger off more sustainable procurement activity within government departments:<sup>43</sup> certainly, without the hard reality of targets, progress based upon simple aspirations can be unsure. Some targets already exist within departments, but each department, under OGC advice, must look to strengthen those targets and to seek out areas of procurement where more could be done to make progress with new and smarter targets. Targets will not however always succeed without policy changes. Our predecessor Committee’s Report cited the instance of DEFRA failing to reach its target for recycled paper use, despite excellent and thorough guidance, and a very visible and clear target, until it changed its policy so that it could only procure recycled paper.<sup>44</sup> Clearly, **departments must also look to develop policies to deliver important objectives in sustainable procurement when targets alone are clearly failing.**

30. The overall UK Government target that is set as the context within which the SPTF is currently carrying out its work is for the UK Government to become one of the leaders in the EU in sustainable procurement by 2009. Gill Rutter of the SDU, DEFRA, reported to us in evidence that, in terms of ‘green’ procurement, the UK Government was in “the top seven of the EU 25 Member States”. She added that if the UK Government manage[d] to

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42 see the NAO briefing and related press release available on EAC’s web-site at [http://mirror.parliament.uk/parliamentary\\_committees/environmental\\_audit\\_committee/eac\\_31\\_10\\_05.cfm](http://mirror.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_31_10_05.cfm)

43 HC 266, para 14

44 *ibid*, para 14

do something serious on social issues, then...[it]... will go to the top of the class.”<sup>45</sup> Later during the evidence session she stated that the ambition now was that the UK Government goes “from that to be one of the top three or four”.<sup>46</sup> Clearly, the UK Government is already one of the leaders in this field in the EU. Indeed, Sir Neville Simms, in a recent interview, stated that the Government’s goal for it to be recognised amongst sustainable procurement leaders in Europe was “meaningless” as it was already there.<sup>47</sup> The UK Government does however need to beware complacency, and strive to maintain and if possible improve its position—and more importantly it needs to act to drive up the standard of sustainable procurement across Europe especially with regard to those who still have much to do in this area.

31. One area in which the Government needs to drive forward this agenda is with regard to local authorities. The procurement power of local authorities is very significant: estimated at being more than £40 billion per annum, their procurement budgets exceed those of central government departments.<sup>48</sup> Evidently, any sustainable procurement policy that stopped short of looking to see how local authorities can be encouraged to adopt more sustainable procurement policies would be regrettable. Moreover, local authorities are not strangers to this agenda—many are already at the cutting edge of sustainable procurement. The London Borough of Camden was recently identified as a UK leader in a benchmarking exercise conducted by the EA through specialist independent consultants in which a number of public and private organisations across Europe were examined for best practice.<sup>49</sup> **We believe that there is some urgency for general targets for sustainable procurement to be agreed for local authorities. Central and local government representatives should enter into a dialogue to set such targets and to improve the promotion and dissemination of good local practice. Those local authorities at the cutting edge of sustainable procurement must be encouraged to play a leading part in this, and to provide useful examples of how sustainable procurement practices can be effectively costed.** Many local authorities are already innovators in this area, and the cross-fertilisation of ideas between central and local government may well prove enormously beneficial to both.

32. It may well be difficult for central government to commit to this agenda those local authorities and other public bodies which are currently unmoved by the drive for sustainability in procurement until it shows better leadership itself and dedicates greater resources to training, gaining evidence and disseminating information within and amongst central government departments. The need for government to improve its performance in this area is therefore essential if there is to be progress across the country by public authorities and other bodies. We will no doubt be returning to the subject of sustainable procurement during the course of this Parliament, and we hope to see in the years to come

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45 Q75

46 Q76

47 ENDS Report, January 2006, p23

48 I&DeA, *Sustainability and Local Government Procurement*, November 2003, p4

49 Ev27, 2.7

more significant leadership from HMT and OGC on this issue which will bear fruit in terms of greater commitment and activity from central and local government.

# Formal minutes

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**Wednesday 1 March 2006**

Members present:

Ms Celia Barlow

Mr Martin Caton

Colin Challen

Mr David Howarth

Mr Graham Stuart

Mr Ed Vaizey

Joan Walley

The Committee deliberated.

In the absence of the Chairman, Joan Walley was called to the Chair.

Draft Report (Sustainable Procurement: The Way Forward), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 32 read and agreed to.

*Resolved*, That the Report be the Third Report of the Committee to the House.

Several papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That the Chairman do make the Report to the House.

The Committee further deliberated.

[Adjourned till Wednesday 8<sup>th</sup> March 2006 at 2.30p.m

## Witnesses

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### Wednesday 30 November 2005

Page

**Mr Hugh Barrett**, Chief Executive, OGCBuying.solutions and **Mr Martin Sykes**, Executive Director of Smarter Procurement, Office of Government Commerce.

Ev5

**Mr Elliot Morley MP**, Minister of State, Climate Change and Environment, **Mr David Rabey**, Director of Purchasing and Supply and **Ms Jill Rutter**, Director, Strategy and Sustainable Development, Department for Environment, Food and Rural Affairs.

Ev12

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## List of written evidence

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Association of Sustainable Manufacturers (ASMa)	Ev22
Business Services Association	Ev23
Department for Environment, Food and Rural Affairs and Office of Government Commerce (joint memorandum)	Ev1
Department for Environment, Food and Rural Affairs	Ev20, Ev21
Environment Agency	Ev25
Environmental Industries Commission (EIC)	Ev27
Hewlett-Packard (HP)	Ev28
Institution of Civil Engineers	Ev33
London Remade	Ev34
Meat and Livestock Commission	Ev37
Nappy Alliance	Ev41
National Farmers' Union (NFU)	Ev43
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# Past reports from the Environmental Audit Committee since 1997

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## 2004-05 Session

First	Greening Government: the 2004 Sustainable Development in Government Report, HC 698
Second	Sustainable Timber, HC 607

## 2004-05 Session

First	Housing: Building a Sustainable Future, HC 135
Second	Corporate Environmental Crime, HC 136
Third	World Summit on Sustainable Development 2002: A UK Progress Report, HC 381
Fourth	The International Challenge of Climate Change: UK Leadership in the G8 and EU, HC 105 ( <i>Reply Cm6617</i> )
Fifth	Environmental Education: Follow-up to Learning the Sustainability Lesson, HC84 ( <i>Reply Cm6594</i> )
Sixth	Sustainable Public Procurement , HC 266
Seventh	Pre-Budget 04 and Budget 05, HC 261 ( <i>Reply HC 528</i> )

## 2003-04 Session

First	Annual Report 2003, HC 214
Second	GM Foods – Evaluating the Farm Scale Trials, HC 90
Third	Pre-Budget Report 2003: Aviation follow-up, HC 233
Fourth	Water: The Periodic Review 2004 and the Environmental Programme, HC 416 ( <i>Reply, HC 950</i> )
Fifth	GM Foods – Evaluating the Farm Scale Trials, HC 564
Sixth	Environmental Crime and the Courts, HC 126 ( <i>Reply, HC 1232</i> )
Seventh	Aviation: Sustainability and the Government Response, HC 623 ( <i>reply, HC1063</i> )
Eighth	Greening Government 2004, HC 881 ( <i>Reply, HC 1259</i> )
Ninth	Fly-tipping, Fly-posting, Litter, Graffiti and Noise, HC 445 ( <i>Reply, HC 1232</i> )
Tenth	Budget 2004 and Energy, HC 490 ( <i>Reply, HC 1183</i> )
Eleventh	Aviation: Sustainability and the Government's second response, HC1063
Twelfth	Environmental Crime: Wildlife Crime, HC 605 ( <i>Reply, HC 438</i> )
Thirteenth	Sustainable Development : the UK Strategy, HC 624

## 2002-03 Session

First	Pesticides: The Voluntary Initiative, HC100 ( <i>Reply, HC 443</i> )
Second	Johannesburg and Back: The World Summit on Sustainable Development–Committee delegation report on proceedings, HC 169
Third	Annual Report, HC 262
Fourth	Pre-Budget 2002, HC 167 ( <i>Reply, HC 688</i> )
Fifth	Waste – An Audit, HC 99 ( <i>Reply, HC 1081</i> )
Sixth	Buying Time for Forests: Timber Trade and Public Procurement - The Government Response, HC 909
Seventh	Export Credits Guarantee Department and Sustainable Development, HC 689 ( <i>Reply, HC 1238</i> )
Eighth	Energy White Paper – Empowering Change?, HC 618

Ninth	Budget 2003 and Aviation, HC 672 (Reply, Cm 6063)
Tenth	Learning the Sustainability Lesson, HC 472 (Reply, HC 1221)
Eleventh	Sustainable Development Headline Indicators, HC 1080 (Reply, HC 320)
Twelfth	World Summit for Sustainable Development – From rhetoric to reality, HC 98 (Reply, HC 232)
Thirteenth	Greening Government 2003, HC 961 (Reply, HC 489,2003-04)

### 2001-02 Session

First	Departmental Responsibilities for Sustainable Development, HC 326 (Reply, Cm 5519)
Second	Pre-Budget Report 2001: <i>A New Agenda?</i> , HC 363 (HC 1000)
Third	UK Preparations for the World Summit on Sustainable Development, HC 616 (Reply, Cm 5558)
Fourth	Measuring the Quality of Life: The Sustainable Development Headline Indicators, HC 824 (Reply, Cm 5650)
Fifth	A Sustainable Energy Strategy? Renewables and the PIU Review, HC 582 (Reply, HC 471)
Sixth	Buying Time for Forests: <i>Timber Trade and Public Procurement</i> , HC 792-I , (Reply, HC 909, Session 2002-03)

### 2000-01 Session

First	Environmental Audit: <i>the first Parliament</i> , HC 67 (Reply, Cm 5098)
Second	The Pre-Budget Report 2000: <i>fuelling the debate</i> , HC 71 (Reply HC 216, Session 2001-02)

### 1999-2000 Session

First	EU Policy and the Environment: An Agenda for the Helsinki Summit, HC 44 (Reply, HC 68)
Second	World Trade and Sustainable Development: An Agenda for the Seattle Summit, HC 45 (Including the Government response to the First Report 1998-99: Multilateral Agreement on Investment, HC 58) (Reply, HC 69)
Third	Comprehensive Spending Review: Government response and follow-up, HC 233 (Reply, HC 70, Session 2000-01)
Fourth	The Pre-Budget Report 1999: pesticides, aggregates and the Climate Change Levy, HC 76
Fifth	The Greening Government Initiative: first annual report from the Green Ministers Committee 1998/99, HC 341
Sixth	Budget 2000 and the Environment etc., HC 404
Seventh	Water Prices and the Environment, HC 597 (Reply, HC 290, Session 2000-01)

### 1998-99 Session

First	The Multilateral Agreement on Investment, HC 58 (Reply, HC 45, Session 1999-2000)
Second	Climate Change: Government response and follow-up, HC 88
Third	The Comprehensive Spending Review and Public Service Agreements, HC 92 (Reply, HC 233, Session 1999-2000)
Fourth	The Pre-Budget Report 1998, HC 93
Fifth	GMOs and the Environment: Coordination of Government Policy, HC 384 (Reply Cm 4528)
Sixth	The Greening Government Initiative 1999, HC 426

Seventh Energy Efficiency, HC 159 (*Reply, HC 571, Session 2000-01*)  
Eighth The Budget 1999: Environmental Implications, HC 326

#### 1997-98 Session

First The Pre-Budget Report, HC 547 (*Reply, HC 985*)  
Second The Greening Government Initiative, HC 517 (*Reply, HC 426, Session 1998-99*)  
Third The Pre-Budget Report: Government response and follow-up, HC 985  
Fourth Climate Change: UK Emission Reduction Targets and Audit Arrangements, HC 899 (*Reply, HC 88, Session 1998-99*)

# Oral evidence

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## Taken before the Environmental Audit Committee

on Wednesday 30 November 2005

Members present:

Mr Peter Ainsworth, in the Chair

Ms Celia Barlow  
Mr Martin Caton  
Colin Challen  
Mr David Chaytor  
Mr Tobias Ellwood  
Lynne Featherstone  
David Howarth

Mr Nick Hurd  
Mark Pritchard  
Mrs Linda Riordan  
Emily Thornberry  
Dr Desmond Turner  
Mrs Theresa Villiers  
Joan Walley

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### Joint memorandum submitted by the Department for Environment, Food and Rural Affairs and the Office of Government Commerce

#### INTRODUCTION

This memorandum provides joint evidence from Defra and OGC on the substantial increase in activity on sustainable procurement across Government since the EAC's last inquiry in February/March 2005.

The Government's Sustainable Development Strategy, "*Securing the Future*", published in March 2005, committed the public sector to leading by example in delivering sustainable development objectives. The public sector has a key role in furthering sustainable development through its procurement of buildings, goods and services.

The strategy defines sustainable development in broad social, environmental and economic terms. The term sustainable procurement therefore encompasses all issues where procurement is seen as having a role in delivering economic, social as well as environmental policy objectives.

Value for money policy and the Efficiency Review should not present a barrier to sustainable procurement. Sustainable procurement and efficient procurement should be mutually re-inforcing, because departments are encouraged to procure goods and services that offer the best value for money over the lifetime of the contract, rather than lowest price. We are working hard to promote this message through the activities outlined below.

This memorandum does not attempt to cover all the Government's policies and activities with regard to sustainable procurement, but provides examples to illustrate some of the areas in which progress is being made. The Government has submitted a separate memorandum in response to the Committee's inquiry on timber and this memorandum does not refer to policies for public sector food procurement, which are currently the basis of an NAO study due to report in March 2006. Further, central government departments are currently preparing sustainable procurement strategies as required under Part F of the Framework for Sustainable Development on the Government Estate.

#### *Sustainable Procurement Task Force*

As the Committee is aware, the Task Force is due to submit a national action plan for sustainable procurement by April 2006. It will report jointly to Margaret Beckett and to John Healey. Details of the work of the Task Force are available on its website:  
<http://www.sustainable-development.gov.uk/delivery/global-local/ProcurementTaskForce.htm>

#### *EU initiative*

As set out in *Securing the Future*, Defra is working closely with the European Commission on a study to measure and assess EU environmental public procurement, with the aim of establishing an EU-wide benchmark target to encourage average performance in 2010 to match that of today's best performing Member State. Preliminary indications from the study are that the UK is one of the better performers.

The first stage of results will be presented to delegates from across the EU at a meeting on green public procurement to be held in London on 27–28 October. The meeting is linked to the UK's Presidency of the EU, where environmental public procurement is a priority.

#### *Evidence base*

*Securing the Future* commits the Government to develop and maintain a robust evidence base on priority areas where sustainable procurement can deliver the most significant environmental and competitiveness outcomes. Defra is currently taking this forward as part of a wider programme of work to develop a robust evidence base around the international priority for more sustainable patterns of consumption and production. Project details and research findings will be made available on the Defra science website: [http://www2.defra.gov.uk/research/project\\_data/default.asp](http://www2.defra.gov.uk/research/project_data/default.asp).

#### *Minimum environmental products list*

The original “Quick Wins” list established minimum environmental standards for 27 product groups procured by Government. The Defra sponsored Market Transformation Programme is now consulting on a revised and updated list of products and specifications. The proposed list of 54 products includes new product groups, such as glazing and water efficient products, expanded product ranges such as ICT, and updated specifications for those products where technology has moved on since the original list was agreed in 2003.

#### *Social issues in Purchasing*

OGC will issue shortly a guidance note on social issues in procurement for publication. The note shows the scope for Government to carry out the procurement of goods and services in a more sustainable manner within the framework that governs public sector purchasing.

#### *Sustainable Development in Government Report*

In line with the commitment in *Securing the Future* to independent reporting, responsibility for the preparation of this year's Sustainable Development in Government Report has been taken on by the Sustainable Development Commission. The Commission has contracted consultants PwC to assist with data collection and analysis. The consultant's report and SDC's associated commentary are due to be published in November.

## CONSTRUCTION

#### *Achieving Excellence in Construction Procurement Guide 11: Sustainability*

The most recent of OGC's Achieving Excellence in Construction guides, AE11: Sustainability, was published in March 2005. AE11 sets out how public sector clients can deliver construction projects that promote sustainable development while achieving optimum whole life value for money. Its aim is to encourage full consideration of economic, environmental and social factors in construction projects and to illustrate ways in which sustainable construction can be delivered.

#### *Common Minimum Standards*

In September 2005, OGC published common minimum standards for the procurement of built environments (for example roads, office buildings, hospitals) in the public sector: [http://www.ogc.gov.uk/embedded\\_object.asp?docid=1004282](http://www.ogc.gov.uk/embedded_object.asp?docid=1004282). The standards bring together existing minimum procurement standards, and mandate them across central government Departments, executive agencies and Non-Departmental Public Bodies. The standards apply to any procurement of a built environment carried out in England for a public sector client whether through a capital procurement, a private developer scheme or a Public Private Partnership/Private Finance Initiative. Departments are expected to take all reasonable measures to ensure that the standards are also adopted throughout the wider public sector, where responsibility for the expenditure of public funds has been devolved.

The Standards require all construction projects to be carried out in accordance with the OGC's Achieving Excellence initiative, including AE11: Sustainability.

### *Code for Sustainable Buildings*

The Code is a voluntary scheme being developed by Government and industry to apply (in the first instance) to all new residential dwellings. The objective is for the Code to become the single national standard for sustainable building. It will cover a wide range of themes and include specified minimum standards for example for energy, water, waste and materials efficiency. It will also establish a series of performance levels or “ratings”.

### *Review of sustainable construction activities*

In July 2005, Alun Michael, Minister for Industry and the Regions, announced a review of the Government’s strategy for sustainable construction. The review aims to provide a framework to guide future Government policies. It will indicate how, under this umbrella of sustainable development, Government and industry are responding to the challenges of sustainable construction through a sustainable, innovative and productive economy that delivers high levels of employment; and a just society that promotes social inclusion, sustainable communities and personal wellbeing. It will also set out how this is being done in ways that protect and enhance the physical and natural environment, and use resources and energy as efficiently as possible. The review is being led by DTI with contributions from other Departments and is expected to be complete and published by spring 2006.

### *WRAP and sustainable procurement in the construction industry*

The Waste and Resources Action Programme (WRAP), sponsored by Defra and the Devolved Administrations, has run a series of “Reconstruct” events, the objective of which is to make construction clients, contractors and their professional advisers aware of the business case for setting requirements for recycled content in projects. WRAP has set up a framework contract with eight consultants to deliver on-the-ground support for major procurement decisions in the construction sector. As part of this initiative WRAP has developed a prototype toolkit for easy assessment of recycled content in construction projects and defined a model approach to setting requirements for recycled content throughout the procurement process for local authority highways maintenance.

## SMALL AND MEDIUM SIZED ENTERPRISES (SMEs)

### *BRTF Programme*

In May 2003 the Better Regulation Task Force (BRTF) and Small Business Council (SBC) published “*Government: Supporter and Customer?*” which identified a number of barriers facing SMEs wanting to do business with the public sector. The report contained eleven recommendations designed to reduce these barriers.

OGC led a successful procurement pilot project in the West Midlands between June 2003 and June 2004 to test some of the BRTF/SBC recommendations. DTI’s Small Business Service (SBS) led a similar pilot in the north London borough of Haringey, which ended in March 2005.

Lessons learned from the pilots are now being nationally implemented through OGC’s BRTF Programme, a series of projects designed to improve the public sector marketplace by making it more open, diverse, competitive and inclusive of SMEs. The projects are:

- Pre-qualification project—OGC has developed a standard, simplified pre-qualification document, based on a self-certification model, specifically for use in procurements with a financial value beneath EU thresholds, and is now leading on the nationwide promotion of its use.  
For progress see—<http://www.ogc.gov.uk/index.asp?id=1003755>.
- Training project—OGC is delivering training for procurers across the country. This focuses on the benefits of appropriate use of SMEs and how to incorporate them effectively and legally into a diverse supplier base. OGC has developed training content for SMEs which the SBS is responsible for delivering through Regional Development Agencies.  
For progress see—<http://www.ogc.gov.uk/index.asp?id=1003719>.
- Supply Chain project—OGC has developed guidance on supply chain management and is working with both Prime Contractors and procurers to ensure that opportunities for SMEs in their supply chains are visible and accessible.  
For progress see—<http://www.ogc.gov.uk/index.asp?id=1002263>.
- National Opportunities Web Portal—OGC is supporting a Small Business Service project to develop a web based National Opportunities Portal on which wider public sector procurers can advertise mainly sub-Official Journal of the European Union contract opportunities, easily accessible to SMEs. The portal is due to go live by end 2005.  
For progress see—<http://www.ogc.gov.uk/index.asp?id=1002170>.

### *Engagement with the Third Sector*

In June 2005, the National Audit Office published “*Working with the third sector*” (the third sector refers to those organisations which occupy the space between the State and the private sector) which looked at progress towards implementation of recommendations of the Cross Cutting Review on the role of the voluntary and community sector in public service delivery. The Home Office, with the support of other government departments, is leading on the implementation of the 12 recommendations outlined in the report.

The 2005 Budget Report stated that the Government would undertake to work with local government, third sector bodies and procurement practitioners, to communicate, the benefits of working with the sector at a local level. Two events have been held so far in London on 28 July and in Liverpool on 2 September.

## COMMUNICATIONS

### *The National Conference: Leading by Example—Sustainable Procurement in the Public Sector*

Defra, OGC and OGCbuying.solutions are jointly hosting a national conference on sustainable procurement, “*Leading By Example*”, on 19 October 2005, to be chaired by Sir Neville Simms, chair of the Sustainable Procurement Task Force. The conference will look into the next steps in transforming sustainable procurement in the public sector, examining latest policy, best practice on sustainable public procurement as well as a number of case study sessions providing first-hand experience of sustainable procurement strategies in practice.

### *Sustainable Procurement website*

OGCbuying.solutions is running a project to pilot development opportunities for the Sustainable Solutions website. The website will be a single point for buyers to access guidance about sustainability issues in public sector procurement at generic and commodity specific levels. The pilot will test the feasibility of a rating model to enable comparison of the environmental performance of products on a “traffic light” system. Where a public sector framework exists, there would be an option to link directly into that purchasing route. A proposed rating system has been established for furniture and a second commodity area is being examined.

### *Environmental Zone*

The Environmental Zone within the OGCbuying.solutions website is a long standing source of information providing specific environmental help and guidance to customers on the following issues:

- best practice, including specific sustainable procurement hints and tips;
- disposable solutions;
- environmental news, including articles (advocating and challenging environmental commitment), case studies and legislative updates; and
- specific environmental abbreviations and glossary of terms, frequently asked questions and environmental links.

In addition, OGC has undertaken a web improvement project to increase the visibility and accessibility of information relating to sustainable procurement on its external website.

### *On-line guidance for the public*

Defra is planning a new web-based information service (provisionally titled “Environment Direct”) which will offer advice on the environmental impacts of different goods and services and how to make the most sustainable consumption choices. This will not duplicate existing services but will pull together currently available knowledge in a lifestyle format that is more accessible to consumers.

Defra has completed some feasibility and scoping work and is now examining how to take the proposal forward. Initially the service is likely to focus on public consumers but later phases might include on-line information for professional buyers. We aim to launch the service in 2006.

26 October 2005

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*Witnesses:* **Mr Hugh Barrett**, Chief Executive, OGCbuying.solutions, and **Mr Martin Sykes**, Executive Director of Smarter Procurement, Office of Government Commerce, gave evidence.

**Q1 Chairman:** Good afternoon. Thank you very much for coming. I understand you were a little reluctant to attend this meeting and I wonder whether you can explain why.

**Mr Sykes:** We were never at any time reluctant to attend the meeting. We were awaiting instructions from our Minister, John Healey. We thought it was right and the correct protocol to give him the option, as Elliot Morley was going to attend this afternoon, to appear before you. I have been standing, waiting for his instructions on what he wants to do, and he could have been sitting here if that is what you had wanted.

**Q2 Chairman:** We are very pleased to see you both, but you are not the people who gave us evidence from your organisation last time we took it. What has happened, and why are we meeting you today instead of Mr Fanning, Ms Turner and Mr Davies, who came last time?

**Mr Sykes:** At the last meeting I was in Geneva and I should have been here but could not be. I hold the brief on this subject. Mr Fanning, who is the Deputy Chief Executive of OGC, stood in for me at that time. He was supported by two of my team, Ms Turner and Mr Davies.

**Q3 Chairman:** There has not been any change in personnel.

**Mr Sykes:** No, I just could not be here. This time, Mr Barrett is here—and perhaps I could say a few words by way of introduction of our role?

**Q4 Chairman:** Please do.

**Mr Sykes:** Mr Barrett is here because he can help fulfil some parts of the picture. Recognising that there are some new members on your Committee, perhaps I should say a few words about OGC. We are an independent office of the Treasury. Our brief is to work with public sector organisations to help them achieve efficiency, value for money, and improve success in the development of programmes and projects. We have two Ministers: on the efficiency front, the Chief Secretary holds the brief, but our departmental Minister is John Healey, the Financial Secretary. We have been given three targets within the SR04 report period. The first is to deliver the efficiency agenda, and that is to improve public services by working with departments to help them meet those efficiency targets. The efficiency targets are to recycle administrative costs into frontline delivery, so this is not about reducing departmental budgets; it is about getting better value for money on what we spend. The second target is to help departments deliver value for money within central civil government, so that is a sub-set of the efficiency programme. That has been our historic remit. It is only when the efficiency programme came in that we took on the wider public sector remit. I should say that value for money is defined as the optimum combination whole-life cost over the life cycle of the product; it is not about the lowest cost. The third thing is to improve the success rate of mission-critical projects. As part of our role as

procurement expert, we provide advice, guidance and support to departments. Our concern is always to ensure that procurement activity is consistent with the law so that we do not get infractions at a later date. My colleague here, Mr Barrett, is Chief Executive of OGCbuying.solutions, which is our executive agency or trading arm, which provides procurement services to help public sector organisations get value for money; it actually deals with setting up framework agreements and trading arrangements from the centre of government, which are available to all departments. OGC is very supportive of and fully engaged with the work of the Sustainable Procurement Task Force. We are represented on the Task Force proper. I chair Working Group 2.

**Q5 Chairman:** You are covering quite a lot that we are going to come on to in a minute, if you do not mind my interrupting you. When your colleagues came before us last time, they left us, frankly, unimpressed, and with the impression that sustainability issues were not really embedded in the culture of your organisation. Given the developments since then, not least obviously the new Sustainable Development Strategy, what action have you taken to remove the possibility that people might think you do not regard sustainable procurement as absolutely core to your activities?

**Mr Sykes:** The first thing, and the most visible thing, that we have done is to make it very, very clear that we are supporting the Sustainable Procurement Task Force. As I said, I chair one of the working groups and I sit on the Task Force proper; and we have representatives of OGC working on each of the five working groups. In addition to that, we have been working since the last meeting with departments to help them with their elements of the sustainability agenda. We have been working with DWP to help them understand how they can deliver more effective race equality policy, using procurement. We have been working with the Home Office, helping them to provide a guidance note on how they can engage with the third sector. We have been working with DfES on how you can use procurement to promote youth employment and skills upgrading and so on.

**Q6 Chairman:** Can you confirm that the annual procurement budget of central and local government is around £125 billion a year? Is that still the right sort of figure?

**Mr Sykes:** The best information we have is that annual expenditure across the public sector with third-party suppliers is about £125 billion.

**Q7 Chairman:** So anything that you do to improve the sustainable nature of your purchasing could have a massive beneficial impact, could it not?

**Mr Sykes:** It is right to say that in the way we spend our money we can reinforce the sustainable policy aims. I chose my words very, very carefully—it is £125 billion a year of expenditure, so that is what is on the ledger. Of course, quite a few of the contracts

that are in place are in place for seven to ten years, and in the procurement process itself (rather than working with the suppliers post contract), the number you can affect is something less than £125 billion—but it is a big number.

**Q8 Chairman:** When Mr Fanning came earlier in the year he explained to us that sustainability was interwoven through all your work. Would that explain why it is virtually invisible?

**Mr Sykes:** I think to admit it is invisible would be a mis-statement of the fact. In all of the work that we do, we work with the lead departments on the elements of sustainability, because at the last count there were 22 different aspects of sustainability here. We work with departments and promote, when we are speaking at conferences, the idea of value for money including the sustainability agenda. Of course, different departments and different local authorities may have a different take on which of the 22 are their priorities. We have worked with the National School for Government, and we have now built in to the certificate of competence and graduate training qualifications that they do there for procurement people elements on sustainability. We are working with the Cabinet Office, who are putting together the professional skills for Government agenda, which is for the senior civil service, making sure that the addressing of sustainability within the whole procurement cycle, right from thinking about delivery and policy, is the right way to deliver the sustainability agenda in the long term.

**Q9 Chairman:** Cost-savings and efficiency seem to be your main preoccupation. Is sustainability as interwoven as those concerns?

**Mr Sykes:** We are not about cost-saving; we are about increased value for money. It is about getting more value. It is not about paying the lowest cost; it is about making sure that what we buy is fit for the purpose that you require. In that respect, there is no conflict with the efficiency drive. In his report, Peter Gershon made a number of references to making sure that the efficiency agenda did not undermine promoting the cause of SMEs and opening the government market for SMEs. He made references in there to third-sector organisations, and making sure that work should be put in place to bring them into the procurement process, because they are a very valuable part of the delivery chain. There really is not a conflict. What I would like to say about the efficiency agenda is that the really positive thing that has come out of it is that procurement is a conversation that is now taking place across the whole of the public sector. Where we were originally focused on central civil government, we are now engaging with the MoD, with the health trusts and with local government. In all of the conferences and all the publications that we put out, we consistently say that value for money is not about lowest cost; it is about providing long-term sustainable solutions.

**Q10 Chairman:** In practical terms, who provides the leadership that is needed when some thoughtful procurer at DCMS or the DTI comes across that

classic dilemma, which we discussed the last time the Committee looked at these issues; the trade-off between the cheapest option and the most sustainable option? Who helps that person, who is usually quite a humble body within a government department, to reach a decision?

**Mr Barrett:** Can I use a real live example, which is around electricity from renewable sources? We buy electricity on behalf of many customers across the wider public sector. Some of it is brown and some of it is from renewable sources. Very roughly, 25% of our customers elect to pay a premium of about 1.5% to buy green electricity. The other 75% decide that they would rather spend that money on other things. At the end of the day they have that choice, and it is a fairly clear choice. We try to explain to them the cost differential and what they are buying for their money; and they then make the choice. In practice it is obviously a very difficult judgment. The decision whether you buy electricity from renewable sources or invest it in frontline services is a very difficult balance; and 75% of customers decide not to buy green electricity, or electricity from renewable sources, but 25% do that.

**Q11 Chairman:** It does not really answer the question as to who owns this problem.

**Mr Barrett:** At the end of the day, it will be the Accounting Officer<sup>1</sup> for the DCMS, as the person who ultimately had to convince him or herself that this was the right course of action.

**Q12 Colin Challen:** Given your absolutely central role in providing advice to people in making procurement decisions, do you think it would help or hinder them if we had mandatory reporting requirements on businesses supplying government departments and so on—requirements dealing with sustainable development and environmental issues?

**Mr Sykes:** If the reporting were against targets that were meaningful and clearly defined—and I said earlier that at the last count there were 22 different angles to sustainability here, so getting the balance right is difficult—and if you could define it in such a way that it did not create further bureaucracy in the procurement process, and therefore discriminate against small businesses and minority businesses and so on, there would be some benefit in it. I spent some time in a committee with Margaret Hodge on race equality the other day, and the case I put to her was that if you make it a condition of contract that people report on a frequent basis what their diversity is and so on, the big companies can cope with that because they have the resources to do it, but it is the small companies with only 20 people—

<sup>1</sup> Footnote inserted by witness 09.12.05 for clarification: Government Accounting defines an Accounting Officer as “a person appointed by the Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the Head of a department or other organisation or the Chief Executive of an non departmental public body (NDPB).” See <http://www.government-accounting.gov.uk/current/frames.htm>

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**Q13 Colin Challen:** Has your advice on this issue been sought by your sponsoring department? With your practical experience, have they come along and asked you for your views, or the OGC's views on whether or not this should be a mandatory requirement?

**Mr Sykes:** We would be consulted, and we are consulted, by the departments that have the policy leads on the various angles—

**Q14 Colin Challen:** But your advice would be that it is possibly an attractive option depending on quite—

**Mr Sykes:** Subject to proportionality, yes.

**Colin Challen:** Quite a topical question.

**Q15 Mark Pritchard:** Perhaps I misunderstood you; I do not think you were saying, were you, Mr Sykes, that the colour of somebody's skin necessarily determines their view or lack of view on sustainable procurement? I am intrigued by what you said. How did we move from sustainable procurement to ethnic minority procurement; how did you make that big leap?

**Mr Sykes:** One of the 22 aspects of sustainable procurement is about race equality and about having a diverse community.

**Q16 Mark Pritchard:** I do not have an issue with that, but on sustainable procurement do you think that there is some merit, perhaps a lot of merit, in having an environmental impact assessment as we have a regulatory impact assessment on government policy, irrespective of whether or not it is procurement policy?

**Mr Sykes:** I think that if you really want to deliver sustainability that is the point at which you should do the environmental assessment at the development of policy or development of delivery. Then, if you provide clear guidance to the procurement people and the department on what your priorities and objectives are, they can design a procurement strategy, which can go as far as possible to meet them, and then OGC would help the people in those departments put together a strategy that delivered the objectives that they want.

**Q17 Mark Pritchard:** My final point is in relation to your earlier reply, when you said the Accounting Officer for DCMS or MoD or whatever would have the ultimate say: do you think that person is best placed, in perhaps a solitary position eventually, to make a judgment on what is best value, rather than what is on the bottom of the ledger sheet, which is perhaps where their training is best placed? For example, is it right that we are looking at more and more indirect levy related to climate change, and at the same time one of the biggest car pools in this city today is the Government car pool, which still does not have a sustainable bio-fuel or green fuel policy? It has in some cars but not all. On the one hand, Government is paying out money and on the other hand it has a very inconsistent policy on car procurement. That is just one simple example that is not joined up. That, in my view, with the greatest

respect, is not, Mr Sykes, value for money, although to the Accounting Officer it might be the cheapest option.

**Mr Sykes:** When we talk about procurement policy, OGC's lead is about compliance with the EU regulations, which are not a barrier in this case, and about compliance with the value for money. It is not OGC's job to tell people what they should consider to be value in the context of their business, or what they should buy. That is the Accounting Officer's responsibility.

**Q18 Chairman:** Nobody advises the Accounting Officer!

**Mr Sykes:** We can advise the Accounting Officer and his people on how to use the procurement process to meet their particular priorities and aims. We do not tell them—

**Q19 Chairman:** They can ignore your advice.

**Mr Sykes:** They can indeed, absolutely.

**Q20 Colin Challen:** On your website you list your three priorities as being efficiency, savings up to £3 billion worth, and a fine phrase, "improving the success rate of mission-critical programmes and projects"; however, sustainable development does not seem to be listed as a priority. Indeed, it is buried in a link. Do you think that is a prominent place for it? Should it not be one of your mainstream priorities, along with the others?

**Mr Sykes:** We have been directed by our Minister that these are our priorities, and those are the headline priorities. That does not mean to say that we ignore sustainability as part of delivering all of those things.

**Q21 Colin Challen:** Do you sincerely not believe that some clear and concise expression of your new-found commitment to the cause of sustainable development should appear alongside those fiscal priorities? Is there something preventing you from putting it there, or do you have to do everything by ministerial diktat? Surely, it will not cost anybody anything to say, "and here is our fourth priority" because it does fit in with the general trend of government policy?

**Mr Sykes:** I think I need to go back to my board and ask for an answer on that question. I would say that in all of the communications that we make on all of these agendas, we consistently mention sustainability of the solution as part of what is required.

**Q22 Colin Challen:** Would you ask your board to ask the Government for their permission to add another PSA target that specifically targets your new sustainable development aspirations?

**Mr Sykes:** I will ask.

**Q23 Colin Challen:** There does not seem to have been a lot of progress on the Sustainable Solutions website. Why is that?

**Mr Barrett:** The Sustainable Solutions website, which is a pilot site that OGC.buying.solutions is running is being developed by a group of people in the Manchester Business School. The next release of the site will be coming out in February, so until that appears you and anybody else viewing it will not see great enhancements. It is simply a function of the time it takes to deliver the new functionality.

**Q24 Chairman:** It is up there, in the public domain.  
**Mr Barrett:** The site is, indeed, yes.

**Q25 Chairman:** I looked at it the other day. I was interested in the case studies that you put on there. I do not know whether you have looked at it recently—have you?

**Mr Barrett:** I have looked at it recently but I cannot say that I am going to be completely *au fait* with all the case studies.

**Q26 Chairman:** You might like to familiarise yourself with what is there because if you go on to the first case study you get this: “Epsum factorial non deposit quid pro quo hic escorol. Olypian quarrels et gorilla congolium sic ad nauseum”—and so it goes on! It is copyright 2004.

**Mr Barrett:** That is obviously not something that we want to continue with. We will sort that out. I imagine that is probably in Greek, or it may even be in Latin. We need to sort that. Thank you for pointing that out. That does not give, though, a very good message—you are absolutely right, Chair.

**Q27 Chairman:** It does not tell me that you are treating this as a priority, which this Committee thinks that it should be.

**Mr Barrett:** Thank you for bringing that to my attention. We will sort that very quickly.

**Mr Sykes:** Can I add to what Mr Barrett has said? On the guidance side, on the OGC website, we have now got a sustainable procurement section. That brings together links into all of the guidance. We have a lot of guidance on the site that refers to sustainability, including—

**Q28 Chairman:** That is in English, is it?

**Mr Sykes:** Yes, it is. This includes something that I think was published around the time of the last Committee, which is the 11<sup>th</sup> and final section of the *Achieving Excellence in Construction* guidance, which is sustainability in construction. As well as providing very clear guidance into the areas that are of interest to the reader on sustainability, there are also punch-out links to other sites like the SDU and so on, where they can find other advice that is outside OGC’s realm.

**Q29 Colin Challen:** It may be argued that the Gershon agenda could lead to some sustainable decisions being made, and it could lead to some unsustainable decisions being made. Despite the fact that it would appear to be blind to that kind of

outcome, do you think that the real pressure will be to lead to more unsustainable decisions being made, as the priorities that you have listed do not really include sustainable development, as you have accepted this afternoon?

**Mr Sykes:** I am on the optimistic side. I think the fact that we now have a conversation in government which is about procurement, which has been promoted by the Gershon agenda, the fact that a lot of departments and organisations, which never thought it was important to have professionally qualified procurement people in their organisations, are now recruiting, gives us a better chance to include intelligent decision-making.

**Q30 Colin Challen:** Is it really a matter for a conversation? Can we not just tell people that they have to do this; that it is a priority and must be done? It is not about a conversation—“maybe we will, maybe we will not”. Surely your advice is, “you have to”?

**Mr Sykes:** It is not as black and white as that. Within the EU regulations<sup>2</sup>, the new regulations that become law in January, there is far more scope to take forward sustainable and green considerations in the procurement process. That is being rolled out through training packages to organisations. We can tell people, “you must think about sustainability as part of your procurement decision-making”. The difficulty is, as I said, that there are 22 different angles to sustainable procurement, and understanding which are the priorities in your piece of business is something that the departments have to sort out. From my point of view, if we could have help from Ministers and from Members on what exactly are the relative priorities of those 22 issues, it would be most helpful to people who are trying to make procurement decisions.

**Q31 Colin Challen:** Since our last inquiry has any progress been made on whether departments will be able to take into account non-cashable savings?

**Mr Sykes:** Taken into account as what? In what?

**Q32 Colin Challen:** In coming to their decision. They may get a very quick saving, if they are using the Gershon definition of cashable savings. That may weigh very heavily on their minds. The non-cashable savings are perhaps a little more cutting-edge, a bit more airy-fairy; and therefore if they are not required to take those into account perhaps they will be dismissed; but in the longer term they could provide a better result.

<sup>2</sup> Footnote inserted by witness 09.12.05 for clarification: In 2004, the EU adopted two new public procurement Directives—one for the public sector and one for utilities—to simplify, clarify and modernise the current EU legal framework for public procurement. OGC consulted widely on the approach to take in implementing these Directives. The new Directives clarify the scope to include environmental and social issues at each stage in the public procurement process, including “green” specifications and whole life cost award criteria. OGC has transposed all these provisions into the UK implementing Regulations.

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**Mr Sykes:** I think there is absolute scope for people to take into account defining value in terms of the business they are trying to deliver, and they can count those as part of the efficiency gains.

**Q33 Colin Challen:** It is proving very difficult, is it not? Are there things you can do to make it less so?

**Mr Sykes:** In some areas it is easier and in some areas it is difficult. We are trying to identify more and more case studies of good practice. Writing guidance is all very well, but actually showing somebody that it has been done this way before, and this is how you can do it, is far more helpful. The sustainable procurement task force includes providing advice, guidance and skills to organisations. We will be looking at this and we will be looking out for more case studies.

**Q34 Mrs Riordan:** I am told that from the moment of purchase, whole-life costs are measured, but you are not allowed to take into account the costs incurred before this. Does this mean that the potentially high environmental costs incurred by a product prior to purchase could not be taken into account when assessing whole-life costs? Do you think that is acceptable?

**Mr Sykes:** I do not think I can answer this one at the moment and would like to take it away, consider it and find an answer.

**Chairman:** If you could write us a note on that, it would be very helpful.

**Mrs Riordan:** This Committee was told during the timber inquiry that, “there is an underlying principle that public procurement should not be used to pursue secondary policy aims”. Where does this put the Government’s sustainable timber policy?

**Q35 Chairman:** The Committee has been running a sub-committee, which has been looking at the question of sustainable timber. We were told at one of our recent sittings what Linda Riordan has said: “There is an underlying principle that public procurement should not be used to pursue secondary policy aims.” If that is the case, surely it does not just affect timber but the entire ability of public procurement to deliver a sustainable agenda?

**Mr Sykes:** The fundamental principle in procurement is value for money, as I keep repeating, on a whole-life basis. If the procuring authority considers that there is value in building sustainability into the value definition, there is no reason why they should not do it, as long as it is not done in a discriminatory way<sup>3</sup>. For example, specifying a particular supplier’s product or specifying that a product must come from a particular country or must not come from another country cannot be included in the considerations. But if the procuring organisation believes that value can be derived that is over and above the primary

function—for example<sup>4</sup>, if one bidder is proposing to create jobs in the East End of London and it is considered that that would be beneficial to the cause of that particular authority, then there is no reason why they should not take it into account. I think that with intelligent consideration it should not be a problem.

**Q36 Mr Caton:** Can we move on to what I think is the rather confusing question of the Government leads on procurement and sustainable procurement? On your website and elsewhere you make it clear that you do not lead for the Government on sustainable procurement; in fact you do not say who does. Does this make sense?

**Mr Sykes:** I think it does, because I keep coming back to the 22 policy issues. Different departments have been set up to drive the cause in different sustainability issues. It is not OGC’s job, and could not be OGC’s job, to lead on those particular interests. The idea that there is a sustainable procurement policy other than value for money—what is sustainable procurement? It is the policy aims which lead to sustainability, and we are about, “if that is what you want to achieve, how can we make sure that you, in a legal way, work within the rules to achieve your aims”. We are here to help people understand how they can achieve their policy and delivery outcomes. We do not lead on which aspects of sustainability—

**Q37 Mr Caton:** Clearly, the main emphasis of this Committee is on environmental sustainability, and certainly from what we have heard from you so far, environmental sustainability seems to be fairly peripheral to your role. One just wonders if this dichotomy between your function in procurement and Defra’s in sustainable procurement is part of the reason for that peripherality.

**Mr Sykes:** We work very closely, and increasingly closely, with Defra, to help them deliver on the green aspects of sustainability. As I said earlier, we work very closely with DWP on their view of what sustainability means, their agenda. We work with DfES and with other departments. There is no clear ministerial guidance to OGC on whether we should treat environmental over equal opportunities or employment of youth and upskilling of youth. We are here to help everybody, in the best way possible, to use procurement, where it is allowable, to deliver on their particular policy drives. I do not think we have put the green agenda on the periphery of all of this. I would say we probably have more OGC

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<sup>3</sup> Footnote inserted by witness 09.12.05 for clarification: That is, as long as the selection of tenders and award of the contract are not done in a discriminatory way.

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<sup>4</sup> Footnote inserted by witness 09.12.05 for clarification: The example is given to illustrate how, within a particular process, a given outcome might arise. Any increase in employment that results from a project may well benefit the local community in which the project is based because the contractor may need local skills and expertise but “local employment” cannot be a criterion or condition. It would be discriminatory for a procuring authority to include criteria or conditions requiring local job creation. Where job creation is an issue for a particular authority, it should be considered early in the procurement process as part of looking at its procurement options and defining its requirement in a non-discriminatory way.

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resource working with Defra at the moment on the Sustainable Procurement Task Force than we do with any of the other departments.

**Q38 Mr Caton:** Is the logic of what you are saying that, for instance, sustainable transport policy should be transferred from the Department of Transport and put into Defra's area of responsibility?

**Mr Sykes:** I think that is a question that it is not for me to answer.

**Q39 Mr Caton:** A lot of people would think that that would be a sensible solution.

**Mr Sykes:** All I can do is say that we are working with the Sustainable Procurement Task Force. It will make recommendations when it produces its report. If at that time Ministers decide that OGC should have a more leading role in this, then OGC will be told that, but at the moment we treat departments with equanimity. We help everybody to interpret the procurement policy in the way they want to interpret it legally.

**Q40 Mr Caton:** The Sustainable Solutions website has already been mentioned. Apparently it states there that OGCbuying.solutions is an executive agency of the Office of Government Commerce in the Treasury and *is* taking the lead in sustainable procurement. Have you told Defra?

**Mr Barrett:** That is certainly not meant to be the policy lead, but we are certainly leading on some sustainable initiatives, for example in work we are doing at the moment on putting in place some travel contracts, we are working very heavily with Defra to ensure that things like carbon offset are taken account of in our procurement. In terms of our recently re-competed furniture contracts we are building in provisions to make sure that we are only using timber from sustainable sources and so on. Those are the things we are referring to. It would probably be more precise to say we are taking a leading role. We are certainly not aspiring to lead in the policy sense.

**Q41 Mr Caton:** You are sending out mixed messages.

**Mr Sykes:** Might I just add to that? I think OGC is at the forefront of implementing some green policies within its own environment. For example, in refurbishing and reallocating space within our own buildings we have so far vacated two offices in London. We are making better use of the building. In doing that refurbishment we have used timber from renewable sources; we have used waterless

urinals; we have used low-energy light bulbs; we have used cisterns which hold half as much water as normal. The whole strategy of developing our very small estate would set an example to many, many organisations about what you can do. I do not think there is an issue here that we do not believe green is important. We have also installed in our offices in Norwich, Liverpool and London video-conferencing facilities. I have in the past month done thirteen hours and ten meetings by video conference so that people in Norwich do not have to travel into London to meet me, and I do not have to travel there. I would just like to make the point that we do believe this is important; but green is not the only important thing that we have to work on.

**Q42 David Howarth:** We have the NAO's report in September and your memo to us. There does not seem to be any reference in your memo to the NAO's report, so can I ask you what steps you intend to take to implement the page and a half of recommendations from the NAO to the OGC? It is the NAO review of sustainable procurement in central government this September. It says things such as the OGC should amend the gateway review process, and include sustainability considerations in procurement guidance to the Department.

**Mr Barrett:** The normal process, as I understand it, is that there will be a Treasury minute at some stage, in response to the NAO report<sup>5</sup>.

**Q43 Chairman:** Have you read the NAO report?

**Mr Barrett:** I have indeed.

**Q44 Chairman:** That is a relief!

**Mr Sykes:** On your particular point about the gateway review, the gateway review process already has sustainability built in to key stages. The review team leaders are required to check whether sustainability type issues have been considered as part of the procurement process. That is not the complete solution to everything, but we do try and include that.

**Q45 Chairman:** That was the last question. Thank you for coming along. We may have some further questions and put them in writing.

**Mr Sykes:** We will find answers to the questions.

*The Committee suspended from 3.32 pm to 3.50 pm  
for a division in the House*

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<sup>5</sup> Footnote inserted by witness 09.12.05 for clarification: We will write to the Committee to provide further information on the work that has begun on implementing these recommendations. There are no plans to issue a Treasury Minute.

#### Supplementary memorandum submitted by the Office of Government Commerce

At the hearing on 30 November I agreed to supply the Committee with further information about taking environmental costs during production into account when calculating whole-life costs. This letter provides the extra information and clarifies the related point on 'pursuing secondary policy aims' through procurement. It also completes my evidence on OGC's response to the 2005 NAO report into sustainable procurement in central Government.

I will discuss issues around sustainable procurement, the OGC website and PSA targets with my Board colleagues at our next Board meeting, in January 2006. I will report the outcome of this discussion to the Committee.

#### Q34: ENVIRONMENTAL COSTS DURING PRODUCTION AND WHOLE LIFE COSTS

The DEFRA/OGC “Joint Note on Environmental Issues in Purchasing”, which is available on the OGC website, makes it clear that whole life costs can be considered at various stages of the procurement process. At the initial stage of the procurement process (identifying a need and developing a business case) a contracting authority is able to assess the likely whole life costs and benefits to itself and also to the wider community. An authority can determine its procurement strategy and specify its requirements so as to deliver sustainable development benefits in line with its own or the Government’s objectives and the tests of need, affordability and cost effectiveness.

That means that, in deciding what procurement route to take and what kind of product, building or service to specify, the whole life costs of production processes and transport methods can be considered.

Once the contract award process is underway, whole life costs should still be taken into account, along with quality. That is what government procurement policy requires in order to achieve value for money. It is not just about lowest price. However, at this stage, only those whole life cost issues which relate to the specified requirement—the products and services being procured—can be considered.

#### Q35: SECONDARY POLICY AIMS

On the point about secondary policy aims, the issue here is that Government procurement policy (as set out on page 19 of the environmental note) states that value for money is:

“the optimum combination of whole life cost and quality to meet the user’s requirement”.

This means that it is for the user or purchaser to decide what he/she needs to purchase, in line with Government or departmental sustainability objectives and the general principles of need, affordability and cost-effectiveness. That then becomes the subject of the contract and is not a secondary issue. Where, for example, there is a Government policy to specify sustainable timber or recycled paper that becomes the user requirement and not a secondary issue. Secondary issues are issues not related to the subject of the contract which are considered, particularly at late stages in a procurement and which can distort the objective of that procurement.

Of course, in a procurement exercise, there is a need for care that requirements or criteria are not discriminatory under EU law. This might happen where factors are built into specifications or selection processes which rule out suppliers on grounds not related to the subject of the contract—perhaps on the basis of locality or the legal systems or policies in operation in other countries.

#### *NAO report on sustainable procurement in central Government*

We have begun work in answer to the recommendations of the NAO report as detailed below.

There is a recommendation around amending the Gateway Process and including sustainability considerations in procurement guidance such as the Successful Delivery Toolkit.

The Gateway workbooks address the sustainability agenda by seeking to ensure that government policies are being addressed by the programme/project under review. Questions asked include: “Does the preferred option meet wider government and departmental policies, strategic objectives, standards and business change programmes?” In addition, workbooks 1 and 2 explicitly instruct reviewers to check that appropriate weight has been given to sustainability. OGC has work underway to further raise the profile of sustainable procurement within the Gateway Reviewer community through a tailored Review Team Leader (RTL) email newflash and “hot topic” sessions at forthcoming RTL workshops.

The Successful Delivery Toolkit contains guidance on sustainable procurement. For example, the Procurement Workbooks cover the need to consider sustainable development objectives throughout the procurement process. The Toolkit also includes the Gateway Workbooks, the Achieving Excellence (in construction) suite (including “Achieving Excellence 11: Sustainability”) and the sustainable procurement guidance OGC has worked on with other departments, such as the Home Office/OGC publication “Think Smart . . . Think Voluntary Sector!”

There is another recommendation around expanding the written guidance available on sustainable procurement. The Sustainable Procurement Task Force is looking at this issue. We are contributing to the task force’s work and we await the publication of the Action Plan. The joint Defra/OGC Environmental Note is not necessarily the best tool to include the best practice material specified by the NAO, as it is focused on—legal and policy issues.

There is another recommendation around emphasising that value for money does not equate to least cost. OGC continues to promote this message through procurement guidance, procurement training, conferences and press articles.

There is another recommendation around encouraging the uptake of Quick Wins. Responsibility for extending the Quick Wins list and updating the minimum specifications lies with Defra's Market Transformation Programme (MTP). MTP has identified a working list of candidates that could be adopted as minimum procurement standards and is currently consulting on extending and updating the list. OGCBuying.solutions is geared to respond to any changes made. In order to improve ease of access, the Quick Wins page has been moved to the "Environmental Zone" of the OGCBuying.solutions website and Quick Win products are clearly flagged through the Catalist frameworks. Inclusion in Catalist means the products are available at competitive prices from reputable suppliers through frameworks which are fully compliant with EU directives. We believe these changes have made it easier for purchasing teams to buy products on the Quick Wins list and that future enhancements will continue to improve the ease of use of the website.

*Martin Sykes*

*19 December 2005*

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*Witnesses: Mr Elliot Morley, a Member of the House, Minister of State, Climate Change and Environment, Mr David Rabey, Director of Purchasing and Supply, and Ms Jill Rutter, Director, Strategy and Sustainable Development, Department for Environment, Food and Rural Affairs, examined.*

**Chairman:** Thank you very much, Minister, and to all three of you for coming here.

**Q46 Mr Hurd:** Do you think that as far as most Government departments are concerned Gershon is now more relevant to procurement than the Sustainable Development Strategy?

**Mr Morley:** There should be no contradiction between the Gershon objectives and sustainable development and sustainable procurement. In fact, in many cases, there are examples—and the Environment Agency has some good examples—of applying whole-life costing. The Environment Agency responsible for pumping out the Wheal Jane mine in Cornwall purchased the most expensive pumps on the market for that job. In the lifetime of the pumps they have had lower running costs and they have lasted longer than some of the cheaper pumps that they could have gone for. On a whole-life assessment they have applied costs in a more sustainable approach than going for the cheapest option. Gershon is an important agenda; it is important to us in Defra. We are well on target for achieving our requirements under Gershon, but we can demonstrate that we take the issue of sustainable procurement very seriously in our own department; so there should not be a contradiction on this.

**Q47 Mr Hurd:** Is not the whole culture of the Gershon report about short-term cash savings, reducing the cash cost—

**Mr Morley:** Not necessarily. Gershon is about saving money. You can save money with a whole-life assessment just as easily, and perhaps more sustainably, than you can by going for the cheapest option.

**Q48 Mr Hurd:** Can I bring you to what appears to be the traditional Treasury rule of not using procurement to achieve other policy objectives, for example environmental objectives, which is what we heard in the sustainable timber review. Is this not exactly what is happening in terms of sustainable timber procurement?

**Mr Morley:** Not achieving these objectives or achieving them?

**Q49 Mr Hurd:** We heard in evidence that it was Treasury policy that procurement should not be used to achieve other policy objectives, but the sustainable timber policy appears to fly in the face of that.

**Mr Morley:** I can understand the point you are making, although there are some aspects of our timber purchasing policy that are quite legally complicated, for example taking into account the rights of indigenous people. There are arguments in terms of the legal advice we have received from the EU procurement rules that we cannot do that. However, there are some counter arguments, which I am sure will not be unique to you, Chairman, that sometimes lawyers will give you completely conflicting advice on issues. We are in the process of trying to clarify this issue in relation to the legal advice. In terms of objectives, our key objective with issues like sustainable timber is that, first of all, we want it to be legal. That is a legitimate and completely defensible policy. The second issue is that we want it to be sustainable, which means we want it to come from sustainably managed forests. I know that that is not strictly speaking a financial objective, but it is part of our commitment, as laid out in our Government strategy, *Securing the Future*, for sustainable development, for sustainable procurement. I would strongly argue that policies such as our timber strategy are entirely defensible and consistent with our overall sustainable development policy.

**Q50 Chairman:** Can we come back to the principle about whole-life costings. As I understand it, the whole-life cost exercise only starts at the point of purchase; it does not take into account environmental considerations, for example that may have occurred before the point of purchase.

**Mr Morley:** There is no reason why it should not, and there is no reason why we should not work that into the supply chain. It is fair to say, Chairman, that in terms of developing our strategies these are new approaches and they do need some work on these areas. It is why we have the Sustainable Procurement Task Force, chaired by Sir Neville Simms, because

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he has a number of working groups looking at a whole range of issues including the supply chain issue.

**Q51 Mr Hurd:** Most people around this table would agree with you about the sustainable timber strategy, but the point I was trying to clarify is whether there is a Treasury rule that procurement should not be used to achieve other environmental objectives, and ask whether you agree with that in the context of the fact that the public sector spends £125 billion a year. There is a huge opportunity cost in terms of driving forward the sustainability agenda.

**Mr Morley:** I am not aware of a rule quite as hard and fast as that. We clearly have to have our overall Government objectives, which is why we work within the broad framework of our sustainable development strategy, which is agreed by all parts of Government, including the Treasury, which signed up to that. I should say, Chairman, that I am accompanied by David Rabey and Jill Rutter from my Department. I do not know whether they would like to comment on the Treasury position—or it is dangerous for me anyway!

**Ms Rutter:** I hope it is not too dangerous. The Sustainable Procurement Task Force is jointly sponsored by Defra and the Treasury. I would have thought that if the Treasury were going to take the line that it did not accept that there was something to be done around sustainable procurement, it could have quite easily said it did not want to jointly sponsor the Sustainable Procurement Task Force. They are participating in the Task Force. Mary Keagan, one of their MDs, sits on the Task Force; they are active in working groups, etcetera.

**Q52 Mr Hurd:** Can we expect, for example, a sustainable aggregates task force, or a sustainable food procurement task force? Is the principle now open?

**Mr Morley:** The principle of a sustainable approach applies to all our dealings, which includes with aggregates in relation to environmental impact assessments and the aggregates levy. These policies are already influenced by our commitment to sustainable development.

**Q53 Chairman:** I have been trying to refresh my memory as to who it was who told us during our timber inquiry that “there is an underlying principle that public procurement should not be used to pursue secondary policy aims”—and I am reliably advised that it was you! Maybe we should be hunting around the Treasury to find the answer to this question.

**Mr Morley:** I can explain that, Chairman. I am just trying to think of an adequate one! It is back to the legal ruling that we have had some argument with. To be honest, it is not so much Treasury; in the case of timber it was more to do with the EU procurement rules.

**Q54 Joan Walley:** You mean in respect of contracts over a certain limit, so it could apply to those under that limit that is required by the EU procedure?

**Mr Morley:** Yes, it is contracts that fall within the level that you have to open up the tender within the EU.

**Q55 Chairman:** Can you kindly send us a note on this?

**Mr Morley:** I would be very happy to do that, Chairman.

**Mr Rabey:** Government accounting requires that the over-arching procurement policy is value for money. Value for money equals whole-life costs. The current procurement rules allow a considerable degree of latitude to departments to consider environmental and social issues. The issue of indigenous peoples in timber is particularly difficult because it runs into issues concerned with labour clauses in public sector contracts and the International Labour Organisation Convention. That is the reason why legal advice is being sought.

**Q56 Joan Walley:** In terms of the evidence to the Committee it has been put to us that there are always premium extra costs involved with sustainable and legal timber. The difficulty is that that cannot then be reflected in the procurement policy, that those proper costs that are connected with taking that better job to get the legal sustainable timber cannot be reflected in the procurement policy; then it is unaffordable. That is the issue.

**Mr Morley:** It can be reflected in a sense because the number one priority with our timber purchases is that it should be legal. It is an undeniable requirement, and so a strategy which is developed around the concept of buying legal timber I do not think transgresses any rules. It is certainly supported by the Treasury in that approach.

**Q57 David Howarth:** Can you write to us about the legal position because I do not think it is clear, because the EU re-interpreted its own rules a couple of years ago, with its Buying Green Handbook; so I am not sure whether the EU is the barrier. The ILO might be a barrier but I am not too sure how because its rules are usually protective of labour rather than getting in the way of trade. There might also be the WTO in here somewhere.

**Mr Morley:** There is a WTO implication on this, so we are very happy to do that.

**Mr Rabey:** We are awaiting a note from the Treasury on social issues in procurement, and it is a sensitive issue. As a Government Department, we know there are 49 countries in the world that are not classified as free under various international labour conventions<sup>5</sup>. We are hoping for some guidance from the centre as to how we might interpret that in public procurement in the future.

**Q58 Lynne Featherstone:** At the moment in any procurement decision in Government it is probably difficult enough already to get whole-life costs

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<sup>5</sup> Clarification added by witness 08.12.05: the UN Declaration of Universal Human Rights.

considered as opposed to capital costs; so is it realistic to think that in the current short-term cost-driven, context of Government we can ever actually move on to a better way of real costs, taking properly into consideration viability or sustainability? Is it realistic, or is it pie-in-the-sky?

**Mr Morley:** It is not just realistic, it is happening now. The question is on the assumption that the whole Government procurement strategy is always based on the cheapest cost option; but that is not the case. The Treasury itself acknowledged the concept of whole-life costing. They acknowledge that and accept that that is a perfectly legitimate concept to apply in relation to procurement policy and procurement strategy; and the logic of that is that you may not be buying the cheapest goods or acquiring the cheapest services in the short term, but in the longer term they are more sustainable and you get some cost advantages. I did mention the last time I was here that we have just completed our refurbishment of Defra, where we have paid a premium in relation to the quality of the refurbishment, the insulation, the materials and the wood, but we can quite confidently demonstrate that over the life of the costing you get a good return. We have just done that. The rules do not preclude it. I think it is fair to say that if you look at the whole structure of government and if you include local government, when you have a system that is rooted in the past ongoing for the cheapest of costs, then it takes time to change that mindset. That is why the OGC have been running capacity-building on this; it is why we have had training sessions. We have to make sure that everyone in the buying system within government is aware that whole life costing is a perfectly legitimate method to apply.

**Q59 Lynne Featherstone:** That message seems to be really slow in getting through. I wondered if you had any ideas to help government break out of the traditional pattern of short termism in terms of costs so that whole life cycles could be better incorporated into the system. At the moment, and having sat here today in particular listening to the first hour, it does seem that it is not happening at a pace one might recognise, even if you were a shining example.

**Ms Rutter:** One of the working groups in the Sustainable Procurement Task Force is looking at the issue of the whole life costing guidance. The guidance says you should do whole life costing. It is looking at the issue of how you make this easy for people to do. That is being addressed through the task force. We hope that is going to be very productive. Could I point the committee to two other initiatives that I think should help change perhaps some of the biases in the existing system? First, under the Framework for Sustainable Development on the Government Estate, every government department is being required to produce its own sustainable procurement strategy. Those are being published imminently, in December or January. Secondly, every government department, and even the OGC as well as an independent office of the Treasury, is producing its own sustainable development action plan. You will

recall that in *Securing the Future* (of the UK) as a strategy, we have said that we, Defra, will stop reporting government progress. We are giving that to the Sustainable Development Commission under Jonathan Porritt to report—I think the committee will find those reports very interesting—on how Government is getting on. The first way in which we are doing this is, rather than have a Defra commentary on the sustainable development in government questionnaire on what progress we have made over the last year on the framework targets, to publish that with a commentary by the Sustainable Development Commission in mid-December. We think that these will change the incentives. Increasingly, individual departments will be held to account for the extent to which they are genuinely applying the principles in the Sustainable Development Strategy. We are very keen that we make clear that it is for every department to take on board those principles and show how they apply them through both the operations and policies of those departments.

**Mr Morley:** We have been applying the whole life costing. We do have a very strong sustainable agenda in relation to our own procurement within Defra. We have our own toolkits for our divisions and our own purchases on whole life costing, which are available within the department. We are developing our toolkits for use across Government. We will make the toolkits available and provide guidance on their use.

**Q60 Lynne Featherstone:** That is helpful. We look forward to the report. I hope marks out of 10 are going to be given and punishment meted out if those are not given in. Narrowing it down because procurement is a pretty broad area, if we just look at the construction industry side of it, we have a memo from the EIC (Environment Industries Commission) that states that one of its members discovered that only two out of 70 public sector construction projects that it had tendered for earlier this year had specific energy efficiency requirements. I would have thought those sorts of requirements would be standard. Why are they not?

**Mr Morley:** I am pretty sure that there are energy efficiency requirements for any contractor. What the EIC may not unreasonably be concerned about is the level of those standards. Of course, we do want to ensure that the standards we apply are the very highest. In relation to buildings that we have commissioned (and I can give you a list of recent buildings and refurbishments) we set the BREEAM “excellent” rating. Of course, that is the basis of the contract that we put out to industry in relation to the work. ODPM is currently developing a new code for sustainable building, which will be published very soon, Chairman. That will be the new guidance in relation to the kind of standards that we aspire to in government contracts.

**Q61 Lynne Featherstone:** I think there should be checking and monitoring going on. Two out of 70 are meeting requirements where you say should they have a requirement.

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**Mr Morley:** It depends what you mean by “requirements”. That needs some clarification. There are requirements but they may think their requirements are high enough. I might not think they are high enough requirements. I certainly accept that in relation to our contracts there is a need for proper monitoring and to make sure that there is clarity in relation to all government departments on the issuing of contracts.

**Q62 Lynne Featherstone:** There needs to be clarity about checking and monitoring. There is a lot of talking good going on. The EIC also tells us that despite the Prime Minister saying in September 2004 that “all new schools and city academies should be models for sustainable development”—a statement of what we all hoped would be of the obvious—the reality is very different. If the public sector is lagging far behind the inspirational standards of central government, what can be done?

**Mr Morley:** We do need to make sure that there is that consistency and that we encourage not just high standards but the very best standards. The problem is that there may be some lack of consistency in relation to the commissioning across local authorities for such things as new schools. I can tell you, Chairman, that a new school has been built in my own constituency which has rainwater catchment and very high standards of insulation. You are beginning to see these standards appearing in such things as new schools. I would like to go further than that. I know that my colleagues in DFES want to go further than that as well.

*The Committee suspended from 4.03 pm to 4.13 pm for a division in the House*

**Q63 Chairman:** Following on from Lynne Featherstone’s question, it is not just a member of the EIC who is reporting bad news in terms of the construction industry. We had a memo from the Sustainable Development Commission that pointed out that in *Sustainable Development in Government 2004* (SDiG 2004) only three out of 147 new-build government construction projects reached the BREEAM “excellent” rating. There clearly is a significant problem there, is there not?

**Mr Morley:** I need to analyse those figures, Chairman. It is the case that I do not think it is compulsory to have the BREEAM “excellent” rating. If you are going back to whole life costings, we think that is good value for money, although you may have to spend out more initially on it.

**Q64 Chairman:** We rather found in our housing inquiry that the “excellent” rating was not particularly hard to achieve, which makes it even more disturbing. Also, Jill Rutter, when you were last in front of this committee you told us that one of the reasons why some Scandinavian countries have moved ahead of us in terms of procurement is because of the attention that they have paid to the construction sector.

**Ms Rutter:** I think that is right. That was an *ad hoc*, off-hand view. One of the things that the Procurement Task Force is doing is much more systematically benchmarking where the UK stands against a lot of other countries. I think they have been looking at 25 countries. Obviously, in the SD strategy, we set out the aspiration of being amongst the leaders in Europe by 2009. One of the areas the committee picked up on last time was that we were not quite sure what that meant. We had a vague, un-evidence-based aspiration. We are going much more firmly to base that. I think it does emerge that the Scandinavians are where you would look for leadership on construction. It is interesting that on social issues, one of the three pillars of sustainability, one of the things that has emerged from benchmarking is that nowhere has really cracked the social issues.

**Chairman:** We are going to explore this area shortly.

**Q65 Dr Turner:** Elliot, you have a lead on energy efficiency. The Government has a huge estate, if you count schools, hospitals, et cetera. Is there not a huge opportunity there to really take a strong lead on energy efficiency and lay down standards for all government construction?

**Mr Morley:** Yes, I believe there is. We are trying to address those issues. I should say, Chairman, that it is a bit easier for the Government estate because we have direct control over that. For example, on energy efficiency, Defra’s energy and electricity is 100% from renewable sources. In fact, in the Defra estate around the country, the figure is about 80% from renewables. We have just installed in Worcester a biomass boiler heating system in the Defra regional office there. Of course, you have to bear in mind that hospitals come under the regional health authority and schools come under local authorities. Therefore, our levers are weaker in those areas. That is not to say that we should not address these issues because, of course, energy efficiency in the whole public sector estate, not just the government estate which is the easy one for us, which includes our agencies incidentally and non-departmental public bodies, has to be addressed. It is not just about a contribution to reducing emissions and therefore helping us meet our targets under climate change; there are also potential savings here as well. That is important, too.

**Q66 Dr Turner:** Is it not fair just to say that there is an opportunity. If you set standards and central government says, for instance to regional health authorities or to local LEAs, “You cannot have the money for these capital projects unless they meet these standards”, you have a very powerful lever.

**Mr Morley:** Yes, I think that is a powerful lever for new build, though I am quite interested in retrofitting to existing buildings as well. New build is a bit easier because you can indeed do that. You can have stipulations and contract requirements. Increasingly, we are doing that. The Building Schools for the Future programme, for example, which is the biggest school building programme in the country, is seeing this and there are real

opportunities there. I certainly agree that we need to have clear guidance and the kind of toolkits we were talking about: perhaps model contracts which OGC have been looking at; and issues which the Sustainable Procurement Task Force are looking at in relation to their working groups. We are looking to the task force group to give us some guidance on this in relation to some of the models and templates that we could follow.

**Q67 Joan Walley:** I have the details of the conference you were at that was jointly organised by Defra and OGC. I am puzzled in respect of how we get not just somewhere in Worcester to come and comply with this state-of-the-art standard but mandatory standards right the way across the country in all that is done in local authorities on the private finance issues, the health agenda, and so on. I am unclear why it is that you have rejected a call for the introduction of mandatory standards. If it is about not wanting to introduce more targets and more regulation and to give local authorities that freedom, how can you be sure that there is that minimum basic standard? It seems to me to be inconsistent: you are saying one thing but you have the opportunity to introduce that mandatory standard and you have chosen not to take it. You might get the good councils doing this where they have that expertise but not otherwise.

**Mr Morley:** We have an agreement with the LGA that we will not introduce new burdens on local councils without significant extra resources.

**Q68 Joan Walley:** Surely this is important enough for that?

**Mr Morley:** I think I would be persuaded by the committee on that point.

**Q69 Joan Walley:** What are you waiting for?

**Mr Morley:** The view is that the agreement with the Local Government Association will mean a minimum on new mandatory standards. In all fairness, while I think I could be persuaded about the case for mandatory standards, we have to recognise that a one-size-fits-all approach is not always desirable in relation to local government, recognising that there are inner cities, suburbs and rural areas, and there are different issues in different areas. Local authorities will not be slow to argue that they should have some freedom of flexibility in terms of applying the best standards for their area. That is behind the philosophy on that.

**Q70 Joan Walley:** So we all go down to the lowest common denominator and hard-working MPs get the better things?

**Mr Morley:** Not necessary. There are some exemplar local authorities in what they have done in relation to energy standards: Woking, Nottingham and Leicester.

**Q71 Joan Walley:** We need that for the whole of the country.

**Mr Morley:** We do need that for the whole of the country. The challenge for the Government is how we can encourage that. It may require some financial assistance to try to force some of these standards but the idea of mandatory standards for local authorities is not popular with local authorities and it does not feature in the agreements we have with the Local Government Association.

**Q72 Joan Walley:** So we are going to lose this wonderful opportunity really to improve standards that we put in?

**Mr Morley:** Not necessarily. As I say, there are some excellent examples of what local authorities are doing. I am in the process of travelling the country and talking to local authorities about a whole range of sustainability issues—local sourcing of food, for example for school meals; energy efficiency; school build and design—and trying to drive the standards forward. There may come a point where a statutory standards may be justifiable. We may get to that point but at the moment there is a lot of room for a coalition of the willing within local authorities. There will always be those that have to be dragged along kicking and screaming. It may well be that the mandatory standards will come in at some point for those.

**Q73 David Howarth:** I have a good deal of sympathy for what you are saying, as someone with a local government background. I was wondering whether there might be another aspect to this and whether there are barriers to local authorities increasing or improving their standards, which are caused by other targets that have been set by other departments. One of the problems here is that if you do not set a target, and other departments are setting targets, local government will tend to look to those other targets rather than to your targets. Perhaps this should be approached on a more cross-departmental basis?

**Mr Morley:** Yes, it is crucial that we have a cross-departmental approach on these issues. If we want to put sustainable development at the heart of the Government's policies, then it has to be mainstreamed across all government departments. That is part of the objective of the Sustainable Development Strategy that we have. We would expect all government departments to work within that strategy.

**Q74 Mrs Villiers:** I have a lot of sympathy with your position that you do not necessarily want to burden local authorities with yet more prescriptive standards, regulations and targets, but I think there is a problem here in that local authorities are subject to very stringent regulations in terms of the economic aspects of procurement. Having those kinds of regulations, targets and standards in respect of financial and economic matters and not having them in respect of environmental matters I would have thought would constrain even the willing, as you have just called them. Even councils that want to be green, are they not going to be quite

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constrained from being green if they want to be by the better value rules that they have, which focus just on economic matters?

**Mr Morley:** They have not been constrained so far. It is really a question of physical will. Woking, for example, I understand has cut emissions from its public buildings under its control by 70%. Woking also entered into an alliance with the energy companies on the energy efficiency commitment, the so-called EEC. With some money from British Gas, they were offering householders a £100 discount on council tax if they installed extra insulation for energy efficiency. We very much like this approach and would like to see this rolled out in other areas. That is an example of where local councils have used some of their own resources, and of course many councils do have their priorities and they can choose where they allocate money and for what. Woking, Nottingham and others have decided to give a high priority in relation to energy efficiency and emissions. I very much welcome that. There may well be some areas like the EEC that can provide finance to work alongside them. There might be some measures that we as a government could take to encourage these kinds of approaches. That is under consideration as part of normal Government review of policy.

**Q75 Ms Barlow:** To move back to government targets, you have said that you want to be the leader in Europe for sustainable government procurement by 2009. Can you tell me exactly how far up the league table we are now?

**Mr Morley:** On some areas of procurement we probably lead in Europe. There are other countries that at the moment are modelling their procurement strategies on what we have achieved here in the UK. On other areas, as you have heard, such as construction standards in relation to the standards that are applied in government contracts, we are probably behind. While I do not know exactly what other countries are doing in every detail, in relation to some of the work that we are doing in the Sustainable Procurement Task Force, for example, I am not aware of many other governments that are as advanced as that. While some countries may be better than we are in some areas, we are giving a lead in others. What we want to do is to address those areas where we are behind.

**Ms Rutter:** When I gave evidence last time I think I said that our colleagues were, as part of the UK presidency doing some benchmarking to understand where we are in Europe. I said that we thought then we were top second division, using some tortured football analogy which I cannot now remember. We have revealed from that that we are in the top seven of the EU 25 Member States. As the Minister has said, we have a variable performance on different things. That is on green public procurement, as I mentioned earlier, not the social issues. If we manage to do something serious on social issues, then we will go to the top of the class because there does not seem to be much competition out there. This is one of the emerging results from the task force.

**Q76 Ms Barlow:** Where were we originally and where have we moved to on the scale?

**Ms Rutter:** I do not know that we have done enough work on that. This is a comparative study; this is where people are now rather than where we are moving to. The ambition is that we go from that to be one of the top three or four.

**Mr Morley:** I think, given the fact that we have a history of government and public sector procurement that has quite ruthlessly gone for the cheapest option, we were pretty low down, but I think we have moved up the league table quite a bit.

**Q77 Chairman:** When Ms Rutter gave her evidence earlier this year, we were talking about Sweden at around 50%, Denmark at around 40%; we were at 22%, only 3% higher than the national average. Do you know, in percentage terms, how our performance has improved and where it is now?

**Ms Rutter:** I do not think this is an improvement compared to that. This needs more rigorous work to understand. Our colleagues have recently had a UK presidency event on procurement and standards with other EU colleagues. If there is more detail on that, then we can easily let the committee have a brief note on what the latest state of evidence is and where we stand in Europe, if that would be helpful.

**Q78 Ms Barlow:** It would be good to have those figures. If you look country-wide, the figure is 50% compared to 22%. However we are shifting on the league table, it is still quite a significant difference. Have you got an actual figure about where you want to be by 2009?

**Ms Rutter:** One of the things we are looking for in the task force report is that they are going to set out—obviously this is a report to ministers and so it will then have to be considered by ministers and by the Government—what they would regard as being a leader in Europe by 2009. Their remit is to ask what it would take for the UK to be a leader. The first thing is to define what they would mean by that, and then to make recommendations for the suite of measures. Picking up on an earlier point from Mrs Villiers, the task force does have on it a representative chief executive of Norfolk representing the LGA, so local government is part of that task force process. Some work is going on now to look with some local authorities to try to crystallise what money is being left on the table by not purchasing to higher standards. Part of the task force report is to produce some concrete material to persuade people in local government that this is a good thing for them to be doing and that it makes sense both in narrow cash terms as well as in terms of delivering wider objectives. We will go back and see what evidence we have now as a result of our EU activities.

**Q79 Ms Barlow:** Just to recap, the task force is due to report back in April next year. Part of its remit is to give actual percentage terms in every measurable area. How are you going to measure it? Will that be in individual areas or overall, rather than just an aim on a league table?

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**Ms Rutter:** The task force is six months through its work, so it is at this halfway point. At the moment, it is very much in the data-gathering stage. It has been doing a lot of data-gathering. The group on international benchmarking is being chaired by the Environment Agency that has done quite a lot of benchmarking itself. Quite how they want to choose to define that is a matter for the task force, which they will be considering at one of their next three meetings before they finally report to the full group. I do not know quite what that is going to look like.

**Mr Morley:** I spoke with the Chairman, Sir Neville Simms, this week, and he gave me a run-down on the work in progress, which is very much on course. He said that he was on target to report in April, as predicted.

**Q80 Mr Ellwood:** Could we turn to the National Audit Office review? First, may I ask your reaction to the review? Will there be any formal or indeed informal response by yourselves?

**Mr Morley:** We very much welcome the review by the National Audit Office. It is useful to have this kind of analysis in relation to the performance of Government, where we have had some successes and where there are still some weaknesses. In any kind of approach towards sustainable procurement, you do need some form of auditing. You do need some kind of assessment about how well you are doing. In fact, your own committee, Chairman, has a very important role in this and that is why I very much welcome the interest that you have in this. We do need to benchmark our own progress towards these targets. The NAO report is very helpful in this. I am not sure we will do a formal response to the NAO report; it is more for guidance.

**Ms Rutter:** As for what we are actually doing about this, obviously this is an input into departments producing their sustainable procurement strategies, taking into account the way departments are approaching that. We are very good consumers of the NAO report because it has gone to every member of the Sustainable Procurement Task Force with the statement that these are the questions that people in the know are asking about the Government and these are the issues that the task force needs to address in its work. We see it as very much driving the agenda. There are some areas where we have already taken account of some of the comments. I know you have picked up the point made earlier about the greening of government report and the rather duff nature of some of the questions that we asked in the SDiG report like, "Do you have a commitment to do something?" and not, "Are you actually doing any of that?" This year, hopefully the questionnaire has picked up some of those points and will yield up more meaningful answers than the "yes" and "no", which did not tell anyone about how much you are doing it. We have already put into action some of those things. We very much see the response to this coming through both the task force action plan and then the way in which ministers and Government respond to the action plan.

**Mr Rabey:** The NAO and Defra recently held a workshop for 20 government departments on sustainable procurement policy. The departments were invited to reflect on the fact that the sustainable procurement agenda is here and visible and that they will be held accountable.

**Q81 Mr Ellwood:** That is very helpful. Could I suggest that it might be helpful to have a formal response? You mentioned the SDiG questionnaire. Comparing that with some information that was gleaned from the National Audit Office review on the number of departments that were claiming that they were undertaking environmental risk assessments, according to your study four were not; in fact, 11 were not. If we look at what was actually being done about the data itself, it seems also that there is a discrepancy there and one department said they were not doing anything, whereas in fact 14 departments had no real commitment to do anything more than collect the data. These seem to be huge discrepancies between the information that you are collecting and what the NAO is suggesting. Would you like to comment on that?

**Ms Rutter:** This is the 2004 report. We have just been through the process of collecting the data for the 2005 report. As I said to the committee earlier, those results are being analysed by PriceWaterhouse, the consultants we used last time to do that. Then those are going to be commented on as to what this means in terms of performance by the Sustainable Development Commission. Hopefully, we have taken on board some of these points about the discrepancies and some of the meaningless questions that we asked—perhaps not meaningless but not very useful ones. The other thing that is going on in parallel is that we are reviewing the framework on the Government estate to ask how useful it is and whether it actually driving up government performance. I think this goes to some of the points made earlier. How do we actually make this something? We have set up, in order to do that, a sub-committee chaired by the Minister, who is overseeing the process at ministerial level. I think I can mention that. We also have, and this is a deliberate and new innovation to oversee the framework review, the rather unfortunately named SOB (Sustainable Operations Board) chaired by the Second Permanent Secretary in the Ministry of Defence, that has all of what you might regard as the big footprint departments on it: the Department of Health, DFAS, the Home Office and so on. They are overseeing the framework and asking how we make this into something that does not just set lots of little micro targets that may be focusing in some cases on things such as cars, mentioned by one of you earlier, focusing maybe on the wrong things, but genuinely stretches and drives government performance in the future. That review is going on at the moment. We hope that, as we roll forward the framework, it will become a much more powerful tool to drive up government performance across the Government estate.

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**Mr Morley:** Recently I had a meeting with EE(SD), which has ministers on it from every government department. I did draw their attention to the report of the NAO and the issue of data collection and data capture, which has not developed as well as it ought to have done in every government department. In fact, we did it ourselves with such things as the Government's policy on carbon offset for all government travel. We need the data on travel in government departments, the number of kilometres travelled, so that we can do a carbon equation and therefore do a cost for the department to put into the pot for the carbon offset.

**Q82 Mr Ellwood:** To stretch that point, if there is such a discrepancy between what you are saying through the results of your own questionnaire and what the NAO is saying, it is very difficult for us, even though you have spoken with a lot of passion today about initiatives that are going on, when we see that departments are either doing very little at all beyond data collection or they are confused about the definitions themselves that you put forward to them. If we are to have faith in the sustainable project that you are pioneering, the departments must first understand what is expected of them and make a huge improvement in how the data is collected, and then what is done with that data once it has been analysed.

**Mr Morley:** I do not disagree with that at all. I think it is true and I am very proud of aspects of what we have achieved in terms of sustainable procurements. I am totally committed to driving this issue forward. I would be the first to accept that we have not got this system up and running in the way that I would want to see it across the whole of the Government estate. That is the challenge for me; it is a challenge for us in Defra and working with my colleagues in other departments. I think we can respond to that challenge. In relation to the formal response, you do have your own report on the greening of government in 2004. We will, of course, be making a formal response to that because we do respond in a different way to select committees than we would to the NAO, for example. You will get a detailed response in relation to the points you have raised on this report.

**Chairman:** I am sure most people would say the data is out of date. That is, unfortunately, a fact of life.

**Q83 Joan Walley:** In respect of the challenge you have just spoken about, we, you, no-one can rise to that challenge without trained people to make it happen. I would be interested to know how many people there are right the way across the various departments you are dealing with on this in terms of people you are training. Are you satisfied that the training is in place? Do you know about how much training is being done? Do you have targets there, even if they are not official targets? Does that mean enough action quickly enough? Is that making the whole policy deliverable?

**Mr Morley:** It has certainly upped the agenda of every department. We have engaged the OGC. You have mentioned the joint Defra/OGC conference, which is all about sustainable procurement. That is

an awareness-raising issue in itself. There is certainly an issue of capacity-building in relation to our approach. We have to ensure that there is adequate training and experience for staff in all government departments. We look to the OGC to provide support for that and to the Sustainable Development Commission.

**Q84 Joan Walley:** How would you know that enough was being done in a concerted way? Are you just leaving it to the OGC and hoping that they are doing it?

**Mr Morley:** The OGC does a lot of work on this area. Clearly, we do need to take an overview on this.

**Mr Rabey:** We have been working with NHS PASA (Purchasing and Supply Agency for the NHS) in terms of sustainable procurement training for the NHS. We have met our Part F target for training and we have already trained staff within Defra. That training is ongoing. The process is ongoing. Part of the training involves helping people on how to do sustainable things within that procurement process as opposed to issuing some guidance. Picking up the previous point about the figures on energy efficiency, taking the lessons from timber and food over the past few years, departmental failure to show commitment to sustainable procurement will become increasingly visible. Government departments will suffer that reputational issue if they are not seen to be doing something. A lot of effort is going into training, into education skills, both with the University of Bath and the National School for Government. We have to carry on rolling this process out over the next few years to ensure we meet the 2009 target. It just has to touch a lot of people on the ground who do procurement.

**Q85 Joan Walley:** I would be interested to know how much that has been done with Treasury. Certainly my own experience has been that where, for example, PFI proposals have gone forward which have involved procurement, their interest in this green sustainable agenda has not necessarily been matched by the people in the Treasury who will determine whether or not the package is allowed under Treasury rules?

**Mr Morley:** We do need to green-up PFI contracts. The Treasury is not necessarily against this; it is partly about making sure that, in relation to criteria of the PFI, sustainability is built into that. In relation to capacity-building, the National School of Government has held a session on sustainable development, which includes procurement, for ministers, including Treasury ministers; right across the board.

**Q86 Mr Chaytor:** The impression our committee has, and this is the second time we have looked at the subject, is of a massive task force, action plans, strategic plans in departments, sustainable procurement plans, toolkits. It is seven years since Kyoto. During this time, the Government Chief Scientist simply goes to Number 10 and lobbies directly for a levy on electricity bills to finance the expansion of nuclear power. Does that not highlight

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the problem we have? Is it not down to this division of responsibility between Defra and the OGC and the distinction between procurement and sustainable procurement? Seven years have been lost and other actors, particularly in the energy scene, are developing their agenda in a much sharper and more focused way.

**Mr Morley:** I start by cautioning you about not believing everything you read in newspapers as to what the Chief Scientist has or has not allegedly done on these things. There is an enormous amount of activity going on. You are trying to change a culture here, I would say, and you do not change a culture overnight. You have to do a great deal of work and have strategies, training and capacity-building. We have a whole range of targets on the Government Estate, which have been in for some time in relation to purchasing recycled paper, renewable energy, all for efficiency. These efforts are relatively successful, but we want more than that. The idea of using government procurement as a sustainable tool is a comparatively recent concept. Of course, it is rather a new concept whereby you are trying to put in place an overall strategy as to how you use that enormous purchasing power that can really influence contracts, business, and even whole industries. It has not been done before, nor is it simple. You have to do the background preparatory work. Like many things, it is frustratingly slow but you cannot short-circuit it; it has to be put in place if you want to make this policy work.

**Q87 Mr Chaytor:** What are the three things that you would most like to see appear in the Sustainable Procurement Action Plan?

**Mr Morley:** One, I would like to address the whole chain of supply; two, I would want to see very good standards applied in relation to things like building, energy, water supply, local procurement and equality; and, three, I would want to see a strategy that people understand across the Government estate, and in fact beyond the Government estate

and into other public sector areas and into our agency areas as well. Those are the top three I would like to see.

**Q88 Mr Chaytor:** But not CPA (Comprehensive Performance Assessment) indicators for local authorities?

**Mr Morley:** You do need to incorporate those within indicators as well.

**Q89 Mr Chaytor:** I am sure you have looked at the Early Day Motion 1065 in my name that deals with standby power. Given that the OGC earlier made it absolutely clear that whole life costs can be included in value-for-money definitions and given that the waste of energy through electrical appliances on standby power is such an obvious saving to be made, why have not we done more to specify the purchase of low standby electrical appliances throughout the public sector?

**Mr Morley:** We do specify purchases of low energy appliances but the issue you raise goes much wider than that. The whole issue of standby power consumption is really so poorly developed that it is very difficult to know what appliances you can buy in relation to their power consumption and their standby power consumption. What we need on this issue is labelling and eco labels in relation to standby power and better design in relation to electrical equipment. We are trying to address that through the EU because, of course, it is an EU issue in relation to that. In order to be effective about this, and this is an important issue because huge quantities of power are consumed on standby, we also address it by strategies within departments. I can only speak for my own in that we do have policies to ensure that people power down computers in the evening so they are not left on all night within the department. We need that information and better labelling. That is not just important for the Government's purchasing policy; it is important for consumers as well.

**Chairman:** Thank you all very much indeed.

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**Supplementary memorandum submitted by Elliot Morley MP, Minister of State for Climate Change and Environment, Department for Environment, Food and Rural Affairs)**

At the EAC Inquiry on 30 November 2005, where I gave oral evidence on Sustainable Procurement Policy, the Committee requested a note on the UK's position in Europe on Green Public Procurement (Q77 from Mr. Peter Ainsworth, Chairman of the EAC, refers).

The European Commission has funded a study aiming to measure and assess Green Public Procurement practices in the EU, which the UK has actively supported. The study focuses on Environmental criteria in purchasing; therefore, it looks at neither the social aspect nor sustainable procurement. The "green" focus reflects the environmental drivers for this work at European level, where procurement is identified as a tool for contributing to a number of EU policy areas, including environmental technologies and integrated product policy.

This study will conclude in April. The interim results identified a group of 7 EU Member States with notably better GPP performance than the other 18. These were, Sweden, Austria, Denmark, Netherlands, Germany, Finland and the UK. However, all Member States, including the top 7, have significant room for improvement.

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It is important to make clear that the EU Commission's study is neither a follow up, nor can it be compared to the ICLEI study (2003)<sup>1</sup>, whose results the Chairman referred to in his question, as the measurements and the methodology are different. The EU Commission's study used a more comprehensive methodology, analysing tenders published in the Official Journal of the EU as well as questionnaire based information. Also, all 25 EU Member States were studied, rather than the EU 15.

However, in general terms, the EU Commission's study does suggest that the UK remains "above average" but with significant scope for improvement. Sweden, Austria and Denmark are identified as front-runners in both studies. The study's conclusions warned against using single overall numbers or percentages to rate a country's performance. Good and bad practice exists in all Member States and U-us is something that will be researched further during the last phase.

The UK aims to continue working with the European Commission and other Member States to benchmark GPP across the EU on a consistent basis in order to assess progress in the future.

*13 December 2005*

**Further supplementary memorandum submitted by Elliot Morley MP, Minister of State for Climate Change and Environment, Department for Environment, Food and Rural Affairs**

At the EAC Inquiry on 30 November 2005, at which I gave oral evidence on Sustainable Procurement Policy, the Committee requested a note on the legal position of labour clauses in public sector contracts (Q57 from David Howarth, Liberal Democrat Spokesperson for Office of the Deputy Prime Minister refers).

Labour clauses in public contracts are not straightforward because whilst it is legitimate to take into account the conditions applicable to labour involved directly in delivering the contractual requirements, public procurement policy as it exists currently does not permit consideration of secondary criteria pertaining to labour eg we need to establish whether insistence on the supply chain labour force (loggers, manufacturing process employees etc) is permissible and appropriate in timber procurement.

The UK played a major role in negotiating the ILO 1998 Declaration on Fundamental Principles and Rights at Work which provides a framework of international rights for workers, as set out in the ILO's core labour standards. These standards cover freedom of association and the right to collective bargaining; elimination of forced and child labour; and ending of discrimination in employment.

The Declaration commits member states to respect and promote the ILO core labour standards whether or not they have ratified the relevant ILO Conventions. The UK has ratified all of the ILO core Conventions. The Government will continue to promote the ILO Declaration; and in doing so will encourage all member states to ratify and implement the ILO core Conventions.

As the department understands it, the OGC have stated that under EC procurement regulations we cannot explicitly require adherence to the ILO core labour standards as part of the contract. We can however encourage voluntary adherence and we are currently awaiting a Note on Social Issues in Public Procurement from the OGC which we anticipate will provide guidance on how voluntary adherence can be applied in practice. We expect the note to be published early in the New Year and will ensure that a copy is provided to the Committee.

*13 December 2005*

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<sup>1</sup> The ICLEI 2003 study in Green Public Procurement looked at the share of [EU] Administrations that include environmental criteria for more than 50% of purchases [in the public domain]. ICLEI warned that their results should be treated with care, as a disproportionately high number of public purchasing authorities said they apply green criteria when tendering.

# Written evidence

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## Memorandum submitted by the Association of Sustainable Manufacturers (ASMa)

We are a members' organisation set up in 2003 to promote sustainable manufacturing and support sustainable manufacturers. One of our key aims is to act as the link between public sector purchasers and individual SME members.

We are affiliated to the Environmental Industries Federation (an established trade association for North East businesses operating in the environmental industries), through whom we have access to an ERDF programme to part-fund marketing services for SME manufacturers and OEMs in the North East Objective 2 area.

Our membership includes a representative cross section of SMEs, ranging from micro businesses set up specifically to develop and market a single product to established OEMs who are already selling into the public sector.

### GENERAL COMMENT

The paragraph from the National Audit Office report that was quoted in the consultation is a direct reflection of our own and our members' experiences. To enlarge on some of the issues it identified:

The gap between high level commitment and operational practice. The desirability of sustainable purchasing is widely acknowledged in local authority policy and the term "sustainability" features prominently in external promotional material. However, as you travel down from the policy makers and Agenda 21 team through the management hierarchy, a different set of pressures and imperatives visibly takes over. The gap appeared to be closing slightly in the months following the publication of the new national public sector procurement policy but this was nipped in the bud by Gershon.

Integrating sustainability into departmental procurement processes. Even if it were, it would still have limited impact on the ground unless it were backed by trained procurement personnel who did not feel under pressure to take the safest route all the time.

Departments are not prioritising the provision of training on sustainable procurement. This is the missing link. Those responsible for specification and procurement at departmental level often freely admit they lack the knowledge to recognise sustainability, never mind evaluate its added-value.

Departments' evaluation of sustainable procurement activity could be more comprehensive. It certainly could—but once again this would only have an impact if the evaluation was carried out by people who understood what sustainability is and was linked to sustainable procurement targets.

### COMMENTS

Our remit is to support SME sustainable manufacturers/OEMs. The following comments reflect this:

- There is an urgent need for a national training programme that equips procurement and specifying personnel to evaluate sustainability, build sustainability criteria into the procurement process and create the basis for consistent national procurement practice.
- The term "sustainability" is used too loosely and so often that it is becoming meaningless. Definitive national guidance, which sets out measurable criteria that can be applied by trained personnel directly and simply to procurement decisions, would dramatically increase the credibility and practical relevance of the term
- Departmental procurement personnel usually have no interest in, and no responsibility for, products once they have been purchased. For example, there may be a strong environmental case for replacing timber with a "plastic wood" made from recycled materials and there may also be through-life and end-of-life cost advantages. These are irrelevant if the capital cost is higher.
- SMEs lack the financial resources to invest speculatively in the development and manufacture of innovative sustainable products and there is no public sector market incentive whatsoever for them to invest in applying the principles of sustainability to their existing products: If they are already selling successfully into the public sector, why should they fix something that is not broken? If they are not supplying the public sector, where is the evidence to suggest that adopting sustainability will open up the market to them?
- Procurement personnel are under such obvious pressure to meet a range of targets that it is entirely understandable they are not prepared to "gamble" on unproven sustainable products from SMEs, who have no track record for meeting delivery and quality criteria.

- We have found that there is usually little or no liaison between local authority procurement personnel and economic development departments, who are the natural link with potential SME suppliers.

## RECOMMENDATIONS

In summary, we believe that action in the following areas is essential to kickstart a sustainable procurement—and therefore sustainable manufacturing—culture that is receptive to SME manufacturers:

1. A national training programme for procurement personnel and specifiers so they can identify and evaluate sustainability.
2. The development of national guidance that enables sustainability criteria to be identified and rated.
3. Proactive purchasing initiatives that require procurement personnel to take a chance on products that provide a demonstrably more sustainable and through life cost-competitive alternative to existing products.
4. Local/regional initiatives based on the national DTI-DEFRA Forward Commitment programme to both encourage and financially enable SMEs to target public sector markets.
5. The use of independent external organisations—such as ASMa—to act as an honest broker between procurement personnel and individual SMEs.

*19 October 2005*

### **Memorandum submitted by the Business Services Association**

#### 1. THE BSA (WHO WE ARE AND WHAT RELEVANCE WE HAVE TO THE INQUIRY)

The Business Services Association is a policy group for major companies providing outsourced services to companies, public bodies, local authorities and government departments and agencies. The combined annual turnover in the United Kingdom of its 20 member companies is around £15 billion. Member companies employ directly and indirectly more than 500,000 people.

BSA member companies are among the leaders in providing services across the public sector. They are actively involved in the majority of PFI and PPP projects across the whole range of Government Departments and Agencies, NHS Trusts, Local Authorities and Local Education Authorities. As such they are engaged in implementing Government's agenda for modernising public services.

The Association itself is closely involved in working with Government to develop and deliver the principles for modernising public services. As well as representing the providers of relevant services, all employees of BSA member companies are users of these services. This gives them and member companies a clear perspective on quality and end-user requirements. Those views are reflected in those of the Association in its submissions to Government across a whole range of issues.

The BSA welcomes the opportunity to respond to the inquiry on Sustainable Procurement and does so with particular relevance to the provision of outsourced services.

#### 2. EXECUTIVE SUMMARY

- Sustainable Procurement is new and still evolving for both procurer and supplier.
- More work is needed to understand and develop relevant terms for service contracts.
- Procurers must differentiate between products and services when setting sustainability criteria.
- Measurement and benchmarking is in its infancy.
- Stretching and realistic programmes of sustainable initiatives can be devised.
- Wording and scoring of contract awards is often misleading and ill-defined.
- BSA supports government initiatives but they must be more focused. Significant gains can still be made with closer working between procurer and supplier.
- Free passage of knowledge and experience is essential to make progress.
- The tender process can better encourage and support real achievement.
- BSA can bring a practical focus to initiatives for services contracting.

### 3. RESPONSES TO THE QUESTIONS SET OUT IN THE INQUIRY

*Q1. Is setting targets for sustainable public procurement enough? Should there be more stringent requirements on departments with regard to how they carry out sustainable procurement activities and how they are reported?*

The BSA believes setting targets for sustainable public procurement is not enough and agrees with the conclusion of the NAO report on sustainable procurement in central government. A lot more work is still needed in terms of understanding and setting realistic measures of achievement particularly when drafting and setting contractual terms and conditions for the outsourcing of services. The BSA believes that the most effective way to achieve this is by encouraging supplier and procurer to work together to construct and agree a stretching and realistic programme of sustainable initiatives which will facilitate real progress applicable to each specific contract.

BSA members agree with the NAO's comments that there appears to be a considerable lack of leadership on those issues, together with a lack of training and guidance as to what sustainable procurement is and how to achieve it. Nevertheless, we accept that these issues are pertinent along the length of the supply chain and agree that all parties must engage fully in the field of sustainability.

In order to achieve this goal, BSA would like to highlight the importance of differentiating between sustainable measures for the procurement of products and for services in order to recognise fully realistic and achievable sustainability goals within service provision.

The BSA supports the government's initiatives in the area of sustainable procurement, particularly those such as the Market Transformation Programme and the DTi's technology programme, that encourage an increase of (readily identifiable) sustainable products. These programmes will play an important role in facilitating the delivery of sustainable goals.

The inclusion of government accounting as a work stream for the Sustainable Procurement Task Force is also seen as a critical element in helping to achieve sustainable procurement. The short budgetary cycles restrict procurement choices for departments and can prevent best environmental options.

Measurement and benchmarking of sustainable development in both the public and private sectors is still very much in its infancy and we believe considerable gains can be achieved by ongoing development and consultation as to measures to be adopted within different contracts.

In many areas information is still difficult to obtain (for example tracking sources of fresh food products not sold through retail sources;) but we are aware of member organisations who are adapting their information systems and preparing their supply chain to facilitate its future provision.

BSA members are keen to embed low cost, practical, sustainable solutions in the provision of contracted services. Adoption of quantifiable, relevant targets for each key service area, once achieved, could then be established as industry applicable standard practices. Such achieved benchmarks will provide a new base upon which future sustainability initiatives can be built.

*Q2. How best can the performance of departments and local authorities be measured with the aim of allowing proper comparisons between them? How can the SDiG questionnaire be improved to provide more meaningful results?*

The BSA believes that the difficulties encountered by the NAO with the SDiG questionnaire are typical of a wider challenge in defining and understanding the sustainable development agenda.

Feedback from our members has identified that the wording of procurement questions is often misleading and offers considerable scope for interpretation, leading to inconsistencies in the responses. There is no clarity in the criteria behind the scoring or weightings of sustainability for contract award which creates barriers and unnecessary costs for both procurer and supplier.

*Q3. Should there be improved guidance for departments on how to improve procurement practice, including risk assessment? If so, who should be responsible for providing it?*

The BSA recommends the creation of a mechanism to facilitate the sharing of experiences which have delivered progress in the achievement of sustainable development solutions. This could, for example be by the production of case studies which could be published and used to shape best practice methodology for adoption. This will help departments adopt common approaches in the search for practical solutions by procurement staff. The approach could be taken across government departments (and the public sector as a whole) and during the development stage involve regular and flexible discussions with suppliers to verify that the practices adopted do not, in themselves, detract from the achievement of improved sustainable practices by consuming scarce resources both in bidding and evaluation of contracts as well as during subsequent performance evaluations.

*Q4. Where are the examples of best practice within the public and private sector from which government departments can learn?*

The BSA recognises that much time and effort has already been expended in the pursuit of sustainable development goals by procurers and suppliers. Much useful work has been done by DEFRA in the field of sustainable food procurement and local sourcing. We also recognise the work which has been done in the food services sector by major food service companies to support smaller UK suppliers although this clearly is more in the field of economic sustainability.

The field of energy conservation work, such as that encouraged by the Carbon Trust through the Hospitable Climates programme, is delivering real benefits. However even this needs constant adaptation to enable wider adoption. Companies providing outsourced services need support, not regulation, to assist the development and adoption of best practice in this complex arena.

DEFRA's work on timber procurement has also been effective. The profile on the use of natural resources has been raised. The procurement of timber from legal enterprises has been assured and supply from managed sources encouraged.

*Q5. Are the various work streams identified by the Sustainable Procurement Task Force adequate? What do the key components of the Action Plan need to be in order to ensure its recommendations have maximum impact?*

The BSA is content with the various work streams identified by the Sustainable Procurement Task Force. The key components of the Action Plan need to be realistic, relevant and clear in order to ensure its recommendations have maximum impact.

#### 4. ADDITIONAL COMMENTS AND PROPOSALS FOR IMPROVEMENT

Sustainable procurement is a relatively new and certainly evolving arena for both procurer and supplier. Practitioners are still learning what sustainability means, and are trying to define appropriate objectives and how to incorporate them into their processes of doing business and contract specifications all within the context of delivering best value.

The following are a few additional suggestions which could provide benefits for low cost.

1. At the time of Tender Prequalification interested parties should always be asked to suggest ideas for energy efficiency and or minimising the impact upon the natural environment which they believe all bidders should reasonably be able to comply with—albeit that this may carry a cost.

2. At the tendering (ITT) stage the procuring party should incorporate one or more such ideas as a requirement of a compliant bid. At the procurer's discretion, bidders may be requested to indicate the amount by which this requirement is adding to their proposed charges.

3. Contracts should specify what %age of the total bid evaluation scores will be given for the Energy and Environmental elements of the solution.

4. Where it is envisaged that the private sector provider will occupy all or part of a building currently occupied by the procuring party for the same purposes (eg kitchens & dining room), the procurer should be required to install energy metering at the time when it announces the procurement in OJEU. This will allow energy saving to be measured against a proper baseline.

The outturn of these suggestions are that procurers and suppliers seek to identify benefits which are specific (and therefore genuinely applicable) to each contract, and they give a clear mechanism for bidders to build desirable features into their bid without damaging their competitive position vs. other bidders.

The BSA would welcome the opportunity to conduct a dialogue with government about the establishment of low cost, practical, sustainable solutions in the provision of contracted support services.

27 October 2005

#### **Memorandum submitted by the Environment Agency**

##### SUMMARY

The issue of sustainable procurement is rising in profile and the output from the last Environmental Audit Committee inquiry has assisted this progress. Since the last inquiry the Sustainable Procurement Task Force has been established and many of the issues being considered by this EAC inquiry are being addressed by that group.

- Targets are necessary but not sufficient. Targets need to be an integrated part of an organisation's Environmental Management System. A focus only on procurement will not deliver the desired outcomes.
- Minimum standards for sustainable procurement need to be set.

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- Departments should be incentivised to implement sustainable procurement practices.
  - Departments should publish an annual report describing progress against the delivery of their environmental targets including those on sustainable procurement.
  - Plain English guidance on sustainable procurement is required. Guidance should be graduated with simple tools for those starting out and more advanced techniques for those aiming at excellence.
  - The perceived barriers within Government Accounting need to be identified and addressed.
  - The Office of Government Commerce need to take the lead on sustainable procurement. Until this happens sustainable procurement could be seen as a fringe issue.

## 1. INTRODUCTION

1.1 The Environment Agency and its predecessors have been practising environmental and more recently sustainable procurement for the last 12 years. We have invested in the development of tools and techniques to support sustainable procurement and this has been shared widely across public and private sectors. The Environment Agency is taking an active role in the newly formed Sustainable Procurement Task Force.

## 2. ANSWERS TO SPECIFIC COMMITTEE QUESTIONS

### 2.1 *Is setting targets for sustainable public procurement enough?*

2.1.1 Targets are necessary but not sufficient. They need to be an integrated part of a departmental/organisational Environmental Management System (EMS). The EMS ideally should be accredited to ISO14001. When an organisation establishes an EMS, it identifies its key impacts, determines the targets to be achieved against each impact and then puts in place actions to deliver these. In most organisations the procurement of goods and services will encompass many of the highest impacts.

However, procurement cannot deliver sustainability in isolation. It needs organisation-wide commitment and leadership from the top. An EMS gives structure to this. Without some form of wider organisation management system, procurement will fail as it is effectively working alone without wider organisational buy-in. Targets are necessary but need to be part of a wider delivery context.

### 2.2 *Should there be more stringent requirements on departments with regard to how they carry out sustainable procurement activities and how they are reported?*

2.2.1 Minimum standards need to be set. Support then needs to be provided including tools, processes and training. Effective reporting and monitoring is then required to ensure actions are implemented.

2.2.2 We believe each department should publish an annual report detailing the progress made in delivering the departmental sustainability targets, including those on sustainable procurement. Departments should either re-state targets or set new targets for the coming year. It would then be possible to consolidate this information across all government departments.

2.2.3 The Environment Agency recognises that incentives, capacity building, skills and training are currently being examined by the newly formed Sustainable Procurement Task Force of which the Environment Agency is a member.

### 2.3 *How best can the performance of departments and local authorities be measured with the aim of allowing proper comparisons between them?*

2.3.1 If performance is to be compared then the targets and measures must be set on a consistent basis. Initially targets could be input-based measures eg number of sustainability risk assessments completed as a percentage of contracts awarded or value spent on “OGC Quick Wins” or supplier sustainable improvement activity etc. These should move to an output base, eg carbon dioxide reduced or waste minimisation. The Sustainable Procurement Task Force is currently examining this issue.

### 2.4 *How can the SDiG questionnaire be improved to provide more meaningful results?*

2.4.1 As highlighted by the National Audit Office review the questions in SDiG need to be more specific with less scope for interpretation. Questions need to focus on actions such as percentage of sustainability risk assessments as a percentage of contracts let etc. All of these areas will need thorough definition to avoid the different interpretation that different departments have applied to the current SDiG questionnaire.

2.5 *Should there be improved guidance for departments on how to improve procurement practice, including risk assessment?*

2.5.1 Yes. A lot of guidance is available. But it is fragmented and not in simple plain English that is easy for buyers and others to understand.

2.5.2 A plain English set of tools is needed aimed at different audiences involved in the procurement process or policy setting including Senior Managers, Specifiers, Buyers and Suppliers. The tools should be based on a graduated approach with simple tools for those starting out and more advanced techniques for those aiming for excellence. These tools need to be supported by training and an implementation regime to ensure relevant people know what to do. Management then need to demonstrate commitment to sustainable procurement in the individual departments.

2.6 *If so, who should be responsible for providing it?*

2.6.1 The Office of Government Commerce (OGC) take the lead on procurement policy across Government. OGC should therefore lead on sustainable procurement. If they do not then sustainable procurement could be seen as a fringe issue.

2.7 *Where are the examples of best practice within the public and private sector from which government departments can learn?*

2.7.1 The Environment Agency, through specialist independent consultants, has just completed a sustainable procurement benchmarking exercise. The Environment Agency was examined against a range of public and private organisations that are recognised as best practice.

2.7.2 The Environment Agency came out best in the UK and second overall compared to a range of public and private organisations. The best organisation identified across the whole exercise was the Municipality of Gothenburg (a local authority in Sweden). Other organisations of note were B&Q, BT, Danish Environmental Protection Agency, Vodafone and London Borough of Camden. It is interesting to note that of this review three organisations in the top five are from the public sector.

2.8 *Are the various work streams identified by the Sustainable Procurement Task Force adequate?*

2.8.1 They appear thorough. We believe the Sustainable Procurement Task Force is being asked to answer difficult questions in a very short time period.

2.9 *What do the key components of the Action Plan need to be in order to ensure that its recommendations have maximum impact?*

2.9.1 We believe the plan should define the actions required to place the UK public sector as a leader in sustainable procurement in the European Union by 2009.

2.9.2 Incentives are needed for departments to engage in the sustainability agenda. This is currently being examined by the Sustainable Procurement Task Force.

2.9.3 Support material and training will be needed for Buyers, Suppliers, Specifiers etc to support them in delivering the change.

### 3. CONCLUSIONS

3.1 The National Audit Office review and the last report of the Environmental Audit Committee have sent a strong signal that more needs to be done to deliver sustainable procurement in practice. This focus is welcome in driving the agenda. The Sustainable Procurement Taskforce has only recently been established and has been given a tough task in a challenging timeframe.

25 October 2005

## **Memorandum submitted by the Environmental Industries Commission (EIC)**

### 1. THE ENVIRONMENTAL INDUSTRIES COMMISSION (EIC)

EIC was launched in 1995 to give the UK's environmental technology and services industry a strong and effective voice with Government.

With over 275 Member companies, EIC has grown to be the largest trade association in Europe for the environmental technology and services (ETS) industry. It enjoys the support of leading politicians from all three major parties, as well as industrialists, trade union leaders, environmentalists and academics.

## 2. PUBLIC PROCUREMENT

As noted in our response to the Environmental Audit Committee's earlier inquiry into this issue a wide range of Government and stakeholder reports have set out the huge potential of public procurement to play a leading role in sustainable development.

Government has slowly responded with new policies, including those set out in the Framework for Sustainable Development on the Government Estate.

EIC's Members have, however, long reported that there are major gaps between policy and practice in this area. Most glaringly, while it has been Government policy for at least 25 years to base decisions on the whole life cost of products and services, rather than capital cost, our Members report that capital cost is still the dominant factor in most public procurement decisions.

This conclusion was born out by the conclusions of the recent National Audit Office study into procurement which discovered the practical difficulties budget holders are having in procuring sustainably. This is a huge wasted opportunity. The Government cannot lead the world on climate change whilst failing to purchase basic energy efficiency equipment for its own offices.

EIC therefore considers that the Government must provide detailed guidance to staff supported by a training programme on implementing sustainable procurement.

EIC also believes Departments should be required to report any occasions where they have not purchased products that comply with the "Quick Wins" specifications published in 2003.

## 3. LARGE PUBLIC SECTOR BUILDING PROJECTS

One procurement area that stands out as failing on environmental considerations—and particularly on energy efficiency, is the Private Finance Initiative.

EIC's Members who supply technology such as boilers and ventilation equipment report that in most cases public sector projects procure the cheapest, most polluting option, even where whole-life costs are higher than with more efficient alternatives.

For example one Member company found that just two out of 70 public sector projects they tendered for earlier this year had specific energy efficiency requirements in the tender documentation.

Major public building projects such as schools and hospitals will be in operation for many years and the failure to ensure they are energy efficient is a huge wasted opportunity.

Our Members experience is in line with the findings of a survey by Construction News in February which asked 50 English local authorities for details of building and civil engineering contracts let. For contracts worth more than £3 million almost two thirds were won by lowest bidders. For contracts worth less than £3 million 9 out of 10 were won by the lowest bid.

And the Combined Heat and Power Association has written to us to confirm that their Members suffer from the same problems in selling technology to public sector projects.

In September 2004 the Prime Minister pledged all new schools and City Academies should be models for sustainable development. The experience of our Members suggests this is still very far from the case. We have recently written to Elliot Morley MP, Environment Minister, to raise our concerns.

One potential mechanism to tackle this problem is through the Code for Sustainable Buildings now being developed which the Government has pledged to implement in public sector buildings. However this currently only applies to dwellings.

EIC believes the Government should conduct an urgent review of the energy efficiency requirements in recently awarded large public sector building projects to provide a clear picture of what is currently being achieved. If this confirms that high standards of energy efficiency are not being achieved then the Government should act urgently to set out clear mandatory requirements for energy efficiency in all large public sector building projects—and to audit compliance with them. This could be achieved through the widening of the Code for Sustainable Buildings to cover commercial buildings rather than just dwellings.

*1 November 2005*

### **Memorandum submitted by Hewlett-Packard (HP)**

#### 1. EXECUTIVE SUMMARY

1.1 Hewlett-Packard (HP) is pleased to have the opportunity to make a submission to this inquiry. HP submitted evidence to the Committee's Sustainable Public Procurement Inquiry (Sixth Report of Session 2004-05) and welcome the Committee's continued focus on sustainable procurement policy for the UK public sector.

1.2 Our response to the current Inquiry is focused on sustainable procurement in relation to IT. Although we recognise that sustainable public procurement extends far beyond the IT sector, we believe that there are some valuable lessons which can be learned from the experience of the IT industry in this respect.

1.3 HP believes that environmentally sustainable development is not an option but an imperative. Environmental responsibility is an integral part of our offering. Environmental considerations are built into our R&D process and we believe our robust stance on this issue is a key differentiator in the marketplace.

1.4 As a result, HP welcomes significant customers like the public sector developing sustainable procurement guidelines which offer a financial incentive to develop products and practices with a lower environmental impact and provide market recognition for innovators such as HP.

1.5 HP has worked with governments and international bodies to develop workable environmental standards which can be used as the basis of sustainable procurement policies. It is important that the UK government does not seek to “reinvent the wheel” when developing its preferred approach but instead seeks to adopt best practice from existing schemes operating elsewhere.

1.6 There are numerous environmental labelling schemes in the global marketplace for IT products, and for consumer products in general, such as Energy Star or Blue Angel. However, many of these schemes have different environmental criteria and measurement methodologies. This means that, in order to obtain accreditation from the different labels, the products of global companies such as HP have to go through rigorous testing procedures several times in order to meet the criteria for the differing national and regional standards. HP therefore supports the general harmonisation of the various labelling schemes for IT products, particularly in relation to the criteria and the testing methodologies.

1.7 The Government should continue to consult with industry when setting sustainable procurement criteria to ensure that the agreed standards are realistic, effective and workable.

*For HP’s key recommendations please see section 6.*

## 2. INTRODUCTION

2.1 Hewlett-Packard (HP) is the world leader in personal computers, IT storage systems and imaging and printing technology. HP believes that sustainable development is not an option, but an imperative. Across the company’s global operations, HP works toward a sustainable future by developing programs that reduce its environmental footprint, as well as those of its customers and partners. HP’s vision is to develop products and solutions, and operate the company in such a way, that it is able to lead global businesses toward a sustainable future.

2.2 Hewlett-Packard has been established in the UK for over 40 years and the UK business is now the largest division of HP outside of North America. HP has corporate functions located in London, Bracknell, Reading and Warrington.

2.3 Innovation is the driver of HP’s business and the UK is central to the company’s R&D effort. HP Labs in Bristol is the company’s largest R&D facility outside the US, employing over 120 full-time, multi-national research staff on a diverse range of projects. HP’s focus on innovation is reflected in our approach to environmental policy and regulation, including our involvement in sustainable procurement.

2.4 In April 2005, HP was invited to participate in the Sustainable Procurement Taskforce chaired by Sir Neville Simms. However, HP’s interest in sustainable procurement pre-dates our involvement in the Taskforce. The company has, for some time, been in discussions with both the Department for Environment, Food and Rural Affairs and the Environment Agency about potential criteria for sustainable procurement policies. Both of these organisations have shown particular interest in the IT ECO declaration programme which was set up by IT manufacturers in response to increasing interest from public bodies in the Nordic region about the environmental attributes of products. HP was instrumental in the development of the resulting programme which allows participating manufacturers to communicate environmental information in a set format whilst self-verifying the data (see section 4.1.2 for further information).

2.5 HP has also participated in the development and implementation of sustainable procurement guidelines by many of its major customers (including governments) across the globe. In the United States HP has recently worked with a range of environmental stakeholders including NGOs and the Environmental Protection Agency on the development of the Electronic Products Environmental Assessment Tool (EPEAT). The resulting programme will ultimately advise procurement officials about the environmental attributes of personal computing devices.

## 3. HP’S APPROACH TO THE ENVIRONMENT AND SUSTAINABLE PROCUREMENT

3.1 HP sees environmental responsibility as an integral part of our product offering and we are willing and able to differentiate ourselves in the market through our environmental responsibility programmes. HP developed its Design for Environment program over 10 years ago with the goal of reducing the environmental impact of products and services. In addition to meeting safety and regulatory requirements, our objective is to design products that use fewer materials, are more energy efficient, and are easier to

recycle, while maximising overall value for our customers. Our Design for Environment Programme involves work with product designers, research and development teams and customers to identify, prioritise and recommend environmental design innovations.

3.2 Over a decade ago, HP was a pioneer in developing a convenient and free method for customers to recycle our laser printer supplies. Today, this recycling programme—Planet Partners—has expanded to include inkjet printer supplies, and is available in each region throughout the world. The programme has taken back more than 80 million kilos of printer supplies over its 12 years of operation, but our recycling strategy is expanding rapidly so that by 2007 we aim to reach a total take back target of 1 billion pounds (around 500 million kilos), which will include over 300 million kilos of waste products as defined by the Waste Electrical and Electronic Equipment (WEEE) Directive (see paragraph 3.3 for more details).

3.3 As the world leader in personal computers, IT storage systems and imaging and printing technology, HP has a very clear interest in the WEEE Directive and has led the IT industry's implementation effort. Despite delays to the official implementation of Directive in a number of member states (including the UK) HP launched its one-stop recycling service for waste returned under WEEE regulations across the EU earlier this year.

3.4 Environmental considerations are also built into HP's R&D process, with Product Stewards appointed for each new product to ensure compliance with regulations, maximise energy efficiency, minimise material usage and maximise recyclability.

3.5 As a result of this approach, we welcome significant customers like the UK public sector developing sustainable procurement guidelines which provide an opportunity to gain market recognition of our investment in products and practices which lower environmental impact.

3.6 While it is likely that products will have to meet a range of pre-qualification criteria (including environmental specifications), we recognise that, ultimately, value for money principles will be a priority for procurement officials. It is therefore important that sustainable procurement guidelines are based on "total cost of ownership" measures in terms of costs, energy usage, reliability, recyclability at end of life etc. rather than simple "headline" measures. Procurement decision-makers must be encouraged to prioritise long-term environmental and efficiency criteria ahead of the short-term financial gain. The current printer cartridge market illustrates this point. The low initial outlay and apparent environmental benefit of selecting remanufactured printer cartridges may be negated over the long-term when total cost of ownership, including reliability (specifically the amount of paper used during the life of the cartridge) and end of life disposal, is considered.

#### 4. THE GOVERNMENT'S APPROACH TO SUSTAINABLE PROCUREMENT

4.1 HP has, for some time, been involved in discussions with DEFRA regarding the Market Transformation Programme and, more specifically the government minimum procurement specifications known as the "Quick Wins". At present we are preparing a response to the MTP's consultation on the extension of the Quick Wins candidate list, expected in 2006. We have some reservations about the proposed expansion which we are working to resolve with the MTP (see paragraph 4.1.1 for more details). However, there are five key issues arising from our discussions that we would highlight to the Committee:

##### 4.1.1 *Harmonisation*

- There are numerous environmental labelling schemes in the global marketplace for IT products and for consumer products in general, such as Energy Star or Blue Angel. However, many of these schemes have different environmental criteria and measurement methodologies.
- This means that, in order to obtain accreditation from the different labels, the products of global companies, such as HP, have to go through rigorous testing procedures several times to meet the criteria for the differing national and regional standards. HP therefore supports the general harmonisation of the various labelling schemes for IT products, particularly in relation to the criteria and the testing methodologies.
- Harmonisation has two immediate advantages:
  1. The development of a single harmonised set of criteria that is applicable to the products, measurable and comparable as well as being linked to international standards and recognised test methods, reduces the need for redundant testing and record management while increasing the efficiency of environmental information dissemination.
  2. The development of consistent international standards, incorporating best practice from existing systems will also reduce confusion for the purchasers who are interested in the environmental attributes of IT products.
- A prime example of this is the harmonisation of electrical safety codes over the last 15 years. Through the collaborative work of governments, standards bodies, industry and other stakeholders global standards have emerged that are universally recognized and mean the same thing for all applicable products around the world.

- An example of where the Government could benefit from a harmonised approach is in relation to DEFRA’s proposed “Quick Win” targets for energy usage of IT equipment. Although DEFRA’s development process is not yet complete, at present there is no agreed system for measuring energy usage during the operational phase of PCs and laptops. Under the proposed system of self-declaration each supplier would define their own measurement system making it difficult for procurement officials to compare products accurately. A harmonised standard would allow officials to compare “apples with apples”. While there is no generally agreed standard in existence yet for measuring energy usage during the operational phases of PCs and laptops, future methodologies may result from Energy Star or EuP initiatives HP will raise this issue as part of its input into the MTP’s current consultation process.

#### 4.1.2 *Self-Declaration*

- In response to increased interest in sustainable procurement in Nordic countries, an industrial consortium developed a self-declaration system by combining elements from numerous ecolabels along with frequently asked questions from customers. The resulting “IT ECO declaration” system is one of the most widely used product environmental information tool for electronics in Europe.
- Where a relevant standard exists, the IT ECO declaration programme includes a set of operating principles to ensure that each manufacture measures in the same way and presents results in the same format. This ensures that purchasers of IT products can compare products on a like-for-like basis. The scheme also includes a spot check system to guarantee that all manufacturers accurately communicate environmental information.
- Self-declaration systems avoid the time to market delays and expense associated with third party testing. Manufacturers are held to the same verification requirements used in many ecolabel schemes and must provide verification data when requested by the customer. The system is self-policing and IT manufacturers are required to correct their submissions or leave the system when information has been found to be inaccurate.

#### 4.1.3 *Data Output*

- The UK Government has proposed developing a database to store environmental information about IT products. If this were implemented it is recognised that HP would be requested to supply environmental information about products on a regular basis. To ensure efficiency and speed of delivery it is strongly suggested that an automatic electronic system be designed. This would offer greater efficiency, for both HP and the Government, over a paper based system. The use of an automated electronic system eliminates the need for manual handling of information and the associated potential for inaccuracies and errors during data transfers.
- The establishment of such systems has already been attempted in other EU member states where the critical success factor has been the ability to update the database with information about new products that enter the market at high speed, such as personal computers for home use. If the Government is to develop such a system, it is suggested that existing database, such as that of EPA Energy Star compliant products, are not duplicated, but incorporated into the new system.

#### 4.1.4 *Recognition of Voluntary Initiatives*

- HP is involved in a number of voluntary initiatives to encourage the dissemination of environmental information. For example, HP is involved in a multi-organisation programme to develop a green procurement tool. The US EPA Electronic Products Environmental Assessment Tool Project (EPEAT) will be designed to help purchasers buy IT products with their environmental attributes in mind.
- HP is also involved in the Material Declaration Guideline project, a multi-organisation project to develop a material content communication standard for communicating material content data about IT products.
- Both these initiatives are examples of voluntary initiatives which the Government should consider recognising during the development and operation of their sustainable procurement programme.

#### 4.1.5 *Dialogue with Manufacturers*

- HP believes that dialogue with IT manufacturers is essential to ensure that the Government’s sustainable procurement programme has realistic goals and expectations.
- Dialogue with manufacturers will provide the Government with a clearer picture of what is happening in the market place. For example, the Government (through the Market Transformation Programme) has investigated the possibility of setting environmental specifications for IT products three or four years ahead of time. This is an attempt to provide IT manufacturers with three or four years to develop products which meet the future environmental specifications. Government and industry must work in partnership to ensure that the environmental specifications set are realistic and achievable in order to protect competition, choice and value for money in public body tenders.

- HP believes that a formalised structure should be developed which ensures accurate and timely industry input into the Government's sustainable procurement programme and will volunteer to help with this effort.

## 5. THE GOVERNMENT'S APPROACH TO SUSTAINABLE PROCUREMENT

5.1 In responding to the Environmental Audit Committee's previous Inquiry into Sustainable public procurement HP made the following observations about the Government's approach to sustainable procurement:

5.2 There is a clear overall sustainable procurement strategy within government with clear lines of responsibility. However, implementation of the strategy is not consistent across government departments. Local authorities have separate advice and guidelines from bodies such as the Improvement & Development Agency.

5.3 A more joined up approach across the public sector would be helpful for suppliers to understand and adhere to and would also have a greater impact on the market as the full weight of the public sector's buying power could change practices in the industry.

5.4 The EU's regulations on public procurement leave considerable scope for environmental considerations to be taken into account in purchasing decisions. However, the utilisation of this scope varies from department to department. For example, in our experience the Environment Agency makes considerable use of the scope for balancing value for money considerations with environmental considerations.

5.5 The Government's public sector efficiency drive, as set out in the Gershon Review, can utilise some elements of sustainable procurement policy. For example, government departments, as part of their implementation of the efficiency measures should look to the total cost of ownership over the lifetime of ICT equipment, rather than simply the cheapest purchase price. This approach means that more energy efficient products, which may have a more expensive list price, can be seen to cost less as they use less energy. This creates both an environmental win and an efficiency win, as lower energy costs will offset a higher purchase price.

5.6 As stated above, a more centralised approach to purchasing ICT products and services, as advocated by the Gershon Review, can allow the public sector to make the most of its purchasing power and provide the market with a clear economic incentive to create more energy efficient products with lower overall environmental impacts.

## 6. RECOMMENDATIONS

6.1 In its press release relating to this inquiry, the Committee set out five key questions. While HP cannot answer all of these questions, we would summarise our response as follows:

6.2 The UK should avoid "reinventing the wheel" in relation to sustainable procurement guidelines. Efforts should be made to take best practice from other countries and encourage a degree of harmonisation of standards across Europe and beyond (particularly in relation to criteria and testing methodologies) in order to make it easier for producers to make and supply products which meet sustainable procurement guidelines.

6.3 If the UK is to successfully create a market for sustainable products, it must develop a system which facilitates and rewards environmental innovation within the business community. It is only by creating demand for products that meet robust but realistic environmental standards that the market can respond and be transformed in the long term.

6.4 Industry-led self-declaration systems, such as the IT ECO declaration, tend to be more workable than externally imposed standards, which risk being arbitrary and unfairly benefit one supplier over another. HP would therefore encourage the Government to build upon existing systems of self-declaration and continue to consult with industry to ensure that sustainable procurement criteria are realistic, effective and workable.

6.5 In the United States, the success of the Electronic Products Environmental Assessment Tool (EPEAT) is a best practice example of how procurement officials can purchase IT products with their environmental attributes in mind. (See paragraph 2.6 above)

6.6 HP strongly welcomed the establishment by government of the business-led Sustainable Procurement Taskforce earlier this year and was pleased to be invited to participate. We continue to work with the Taskforce. However, it has a wide remit and, as a result, has some very ambitious targets to reach in a short period of time.

20 October 2005

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## Memorandum submitted by the Institution of Civil Engineers

### INSTITUTION OF CIVIL ENGINEERS

The Institution of Civil Engineers (ICE) is a UK-based international organisation with over 75,000 members ranging from professional civil engineers to students. It is an educational and qualifying body and has charitable status under UK law. Founded in 1818, ICE has become recognised worldwide for its excellence as a centre of learning, as a qualifying body and as a public voice for the profession.

### INTRODUCTION

The ICE welcomes the opportunity to present the following statements and evidence as part of the inquiry.

#### 1. *General Comments—The Importance of the Construction Sector in Delivering Sustainable Procurement*

1.1 Any effort to introduce more sustainable procurement across UK government should have a strong focus on the construction sector. On a narrow definition the construction sector contributes circa 5% of UK GDP and comprises 170,000 firms. However a more realistic broader definition including professional services, manufacture of building materials and the quarrying of raw materials, the sector comprises 350,000 firms and contributes 10% of UK GDP.<sup>2</sup> In addition studies have suggested that the construction industry consumes 420 million tonnes of material resources per year and the energy equivalent of 8 Million tonnes of oil.<sup>3</sup> The Construction Industry Council estimates that the public sector is responsible for circa 40% of all UK construction procurement.

1.2 Construction procurement also underpins the government's ability to deliver on its commitments in other areas crucial to its overarching sustainable development policy eg renewable energy, waste & recycling, public transport, sustainable communities and the energy performance of buildings. Performance in all of these areas will also have a significant impact on the drive to reduce emissions of greenhouse gases as part of the UK's Kyoto and unilateral climate change commitments.

#### 2. *Progress to Date—Is Setting Targets Enough?*

2.1 The Institution has been broadly supportive of a range of initiatives to integrate sustainability criteria into public construction procurement, stretching back to the Government Construction Clients Panel Sustainability Action Plan in 2000. However, whilst we have not conducted our own research into the impact of these initiatives our perception is that they have not had a significant impact and were therefore unsurprised that the Sustainable Development in Government Report 2004 found that only 3 of 147 new build construction projects had reached the BREEAM "excellent" rating, that had been laid down as a requirement since March 2003.

2.2 Our response to the question, "Is setting targets for sustainable public procurement enough?" is that targets are only of any meaning if those affected understand the consequences of achieving/not achieving them. If there are no consequences they are not likely to be effective. Government therefore needs to concentrate on processes as well as the targets. These processes must also create a genuinely level playing field for all participants. Industry confidence will be soon be lost if high sustainability performers are seen to lose advantage to less responsible competitors. Restraining demand. Currently growth is at 2% per annum—we must find effective ways of delivering year on year reductions in usage. Energy efficiency and conservation must become a central platform.

2.3 In this context we welcome the commitment that government and its agencies will use the forthcoming *Code for Sustainable Buildings* (which will set minimum standards for energy and water efficiency, waste management and use of materials), where they are involved in funding arrangement for new housing. However we note the recommendations of the Sustainable Buildings Task Force which is producing the code that:

- government should also impose a condition on the contract sale of land brought from the public sector so that new housing must apply the code
- the code should be incorporated into Regional Spatial Strategies
- central government must act to encourage local government to adopt the code

2.4 Whilst housing is not direct public procurement, this is a good example of how central government powers could be used to improve practice in a major sector of construction. In addition the scale of house building envisaged under the ODPM's Sustainable Communities Plan must make the performance of this sector a priority.

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<sup>2</sup> *The Social and Economic Value of Construction*, nCRISP 2003.

<sup>3</sup> *The Construction Industry Mass Balance*, VIRIDIS 2002.

2.5 Furthermore the code as proposed does have the advantage of being based on BREEAM, a widely used and understood standard. Similar extant tools in other sectors, notably the CEEQUAL scheme for civil engineering projects could also be adopted as performance standards for government projects. We note that the Central Procurement Directorate of the Northern Ireland government has had success in promoting the use of CEEQUAL for major projects including the Newton Stewart bypass and the Greyabbey and Kircubbin waste water treatment works.

### 3. *Examples of Best Practice—The ICE Demolition Protocol*

3.1 The ICE developed the Demolition Protocol with its partners London Remade and Envirocentre as part of our commitment to sustainable construction. The Protocol has been incorporated in LB Brent's supplementary planning guidance and implemented on a major project in the Wembley area by the developer Quintain. The only complete case study from this project has shown significant cost savings, mainly through the project team's considerations of recycled aggregates for the new build. Further details of this case study are available at [http://www.aggregain.org.uk/demolition/demolition\\_new\\_build\\_best\\_practice/case\\_studies/wembley.html](http://www.aggregain.org.uk/demolition/demolition_new_build_best_practice/case_studies/wembley.html)

3.2 In developing the protocol we were aware that sections of the industry have seen the incorporation of sustainability issues into projects (over and above legal compliance) as an additional cost which lacks a compelling business case. This perception has been a barrier to the implementation of initiatives to improve the sustainability performance of construction. The Protocol is therefore deliberately constructed as a tool that only applies where the impacts are cost neutral or cost beneficial. Under the protocol procedure, assessments are made of the potential to recover material at the demolition stage of a project and to procure recovered and recycled material in new build. Where the procurement of recovered materials and the recovery of demolition materials would lead to higher costs then the protocol's procedures would not require that course of action to be implemented. In this and other areas the protocol presents a flexible, non-prescriptive approach that sets out a framework of methodologies for more resource efficient demolition and procurement of construction materials. The Protocol does not dictate a final approach but requires all parties to demonstrate that recovery options are being considered and planned for. As an example, the range of materials to be considered can be set at a level which is thought to be representative of the potential for recovery in the area in question. In some areas the reprocessing industry may not be established for plasterboard, glass, plastics etc. As a result it may be prudent to only consider, for an appropriate period of time, the recovery of hard materials and the procurement of recycled aggregates.

20 October 2005

#### **Memorandum submitted by London Remade**

London Remade would like to provide the following response to the Environmental Audit Committee's brief inquiry into sustainable procurement. Our response follows the recent publication of the National Audit Office's review, "*Sustainable Procurement in Central Government*" (September 2005).

London Remade is a not-for-profit company limited by guarantee. The business delivers an innovative recycling programme aimed at increasing markets for recycled products and driving the development of an entrepreneurial recycling supply chain in London. Working across London in a unique partnership between SMEs, the wider business community, social enterprise and public sector organisations, London Remade strives to revolutionise the way the Capital manages its waste, using recycling to promote sustainability and regeneration. London Remade has delivered significant economic, social and environmental benefits to London, through:

- encouraging supply chain growth, and increasing demand for secondary materials and recycled products;
- supporting local authorities, assisting them to divert tonnage of waste from landfill and meet statutory national and regional targets for recycling, and providing consultancy support to improve services;
- aiding the expansion of new and existing businesses through a business support programme and access to economic development funding;
- influencing behaviour and improving efficiencies along the recycling supply chain;
- hosting a unique range of networks drawing on senior players with a direct or indirect business interest in improving resource management in London;
- the provision of analysis, data and policy reports;
- bringing business models and new technologies to London via our national and international networks;
- providing a range of "closed loop" solutions to London's waste management challenge;
- improving London's capacity to manage its resources and reduce its Ecological Footprint;

- producing robust policy reports and research data in such areas as Ecological Footprinting, Planning for Waste, the Construction and Demolition Protocol and improving the use of the river for transporting London's waste; and
- acting as an incubator for green businesses and greening mainstream companies.

As the largest regional market development programme for recycled materials, London Remade has a comprehensive understanding of current and future national and regional strategies and priorities in relation to sustainable development, procurement, recycling, waste management, economic development and regeneration. Our own business growth is a reflection of our capacity to deliver (and more often over-deliver) major public sector investment programmes. The company has a proven track record in delivering large-scale infrastructure projects that add value to waste recycled products and secondary materials, as well as detailed marketing projects through the delivery of the Mayor's Green Procurement Code, which is unique to London, the United Kingdom and globally.

London Remade is delighted to see that the National Audit Office's review, "*Sustainable Procurement in Central Government*" found "high level commitment" to sustainable procurement. It comes as no surprise, however, that the review also found a gap between this "high level commitment" and "operational practice". In our experience delivering the Mayor's Green Procurement Code since 2001, we have found that high level sign up to the Code combined with practical, one-to-one advice at an operational level achieves measurable behaviour change. This top down, bottom up approach has ensured that signatories to the Mayor's Green Procurement Code have spent over £33 million on recycled content products, diverted over 350,000 tonnes of waste from landfill from these purchases and created/maintained 168 jobs. The data from this year's annual audit are to be released by the Mayor on 8 November.

In relation to the National Audit Office's finding that "*the main barriers to sustainable procurement . . . [to be] . . . a conflict between sustainable procurement and the focus on reducing costs*", London Remade would like to offer an alternative view. Again, in our experience of delivering services through the Mayor's Green Procurement Code we have identified the above statement to be one of the many myths associated with buying more sustainable products. If buyers are appropriately informed about the sustainable products available on the market and are clear about their substantial buying power, particularly as public sector procurers, cost savings can be achieved from buying sustainably. We have been able to show through our annual Purchase Report that there are many examples of buyers making substantial cost savings by buying the recycled option. These include the London Boroughs of Harrow, Camden and Westminster which have all made savings by switching to products made from recycled materials. If procurers combine informed choices with more efficient procurement processes (ie those suggested in the National Procurement Strategy) efficiencies can be achieved and thus reported in response to the Gershon Review.

London Remade has taken the time to respond to each question posed by the Environmental Audit Committee below:

1. *Is setting targets for sustainable public procurement enough? Should there be more stringent requirements on departments with regard to how they carry out sustainable procurement activities and how they are reported?*

Targets are a useful start, however they remain voluntary. This will fulfil only part of the obligation any Government would wish to make towards more responsible and sustainable procurement. Targets should be strengthened by legislative requirements for sustainable products. For example, Italy has legislation which states that 30% of products procured by the public sector are recycled content. Japan has similar legislation which dictates the amount of recycled content products the public sector is to procure. As one of six laws for establishing a recycling-based society, the "Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities" was enacted in Japan in May 2000.

2. *How best can the performance of departments and local authorities be measured with the aim of allowing proper comparisons between them? How can the SDiG questionnaire be improved to provide more meaningful results?*

London Remade recognises the importance of data collection to substantiate the achievements of signatories to the Mayor's Green Procurement Code. Data collection provides a useful benchmark from which signatories are able to set and measure targets on an annual basis. As part of the National Procurement Strategy recommendations and the Gershon Review, public sector bodies should be routinely collecting data regarding procurement. To assist practitioners in collecting data and to improve the integrity of data collected, London Remade suggests the following:

- E-procurement software to be developed to allow for the capture of data on the sustainability of products purchased.
- Suppliers to be encouraged to routinely provide data to practitioners regarding the sustainability of products purchased.
- Data is to be collected at the time a purchase is made.

London Remade has a proven track record in collecting data from local authorities through the annual Mayor's Green Procurement Code Purchase Report and [www.capitalwastefacts.com](http://www.capitalwastefacts.com).

3. *Should there be improved guidance for departments on how to improve procurement practice, including risk assessment? If so, who should be responsible for providing it?*

In London Remade's experience of delivering the Mayor's Green Procurement Code we have found there to be a multitude of websites, guidance documents and case studies available to both the public and the private sector on how to improve procurement practice, including risk assessment. Even throughout the Remade Network UK (a national network of recycles market development programmes which includes the Waste and Resources Action Programme) a range of guidance documents exist purporting the value of buying recycled.

The range of guidance documents, websites and case studies are very important in substantiating the case for buying sustainably. They tend to cover a multitude of sustainability criteria which practitioners wish to consider when buying more responsibly. They also tend to be targeted quite specifically at particular audiences and are certainly of value.

In London Remade's experience delivering the Mayor's Green Procurement Code, we have found that often practitioners are overwhelmed by the amount of information available and this breeds inertia. We have found that hands-on support is critical to changing behaviour. A substantial amount of our work involves offering face-to-face advice to procurement systems run by one person to those which are heavily decentralised within which in excess of 200 staff have procurement responsibilities.

4. *Where are the examples of best practice within the public and private sector from which government departments can learn?*

I have taken the liberty of enclosing an outline of the Mayor's Green Procurement Code and the sign up sheet which organisations use to commit to buying products made from recycled materials [not printed]. The current four level model used to deliver the Mayor's Green Procurement Code was developed following a lengthy consultation with both public and private sector organisations. The consultation was led by London Remade and YouGov and found that in order to sign up to a "green procurement code" it had to be simple, it had to be practical and it had to be adaptable to suit an organisation's specific needs. Particular case studies which illustrate good practice within the public and private sector from which government departments can learn include:

- Data collection—Legal & General (Winner of the Best Private Sector category in the annual Mayor's Green Procurement Code Awards 2004).
- Risk assessment tools used to manage procurement decisions—the Environment Agency.
- London Borough Lewisham—trailing and buying a range of recycled content products (Winner of the Best Public Sector category in the annual Mayor's Green Procurement Code Awards 2004).
- London Borough of Croydon—promotion of green procurement activities to staff including specifying for sustainable products in contracts and tenders.
- London Fire & Emergency Planning—proactive sustainable procurement initiative ranging from cleaning products to recycling fire hoses.

I have also included a confidential presentation outlining the future direction of the Mayor's Green Procurement Code [not printed]. This presentation outlines plans to ensure the Mayor's Code is more robust and achieves more long term change. This presentation was made to the London Development Agency in September this year prior to a review of ongoing funding for the delivery of the Mayor's Code (which has been developed and delivered via a grant of £1 million for the past three years from the LDA).

5. *Are the various work streams identified by the Sustainable Procurement Task Force adequate? What do the key components of the Action Plan need to be in order to ensure that its recommendations have maximum impact?*

Yes, the various work streams identified by the Sustainable Procurement Task Force are adequate.

To achieve maximum impact, the key components of the Action Plan presented by the Sustainable Procurement Task Force need to be:

- A national behaviour change programme.
- A practical, measurable model.
- One-to-one advice and support.
- Robust measurement.
- An element of voluntary participation backed up by legislative drivers.

The enclosed information leaflet about the Mayor's Green Procurement Code outlines the practical model we use to deliver pan-London services. Please know that currently there are over 450 public and private sector organisations signed up to the Mayor's Code. These organisations are making a commitment to buy

products made from recycled materials and receive practical, one-to-one support to achieve this. We have developed a Sustainable Procurement Training Course in conjunction with Barbara Morton (DTI/Defra), Business in the Community, the Chartered Institute of Purchasing & Supply and the Environment Agency.

We have development a toolkit and website. We measure signatory performance on an annual performance through the Purchase Report and present awards to the top performers in this report. This year all of London's local authorities participated in the report. In fact this year 60% of participants to the Purchase Report were from the public sector (Note: the data will be launched by the Mayor on 8 November).

20 October 2005

### **Memorandum submitted by the Meat and Livestock Commission**

#### INTRODUCTION

The Meat and Livestock Commission (MLC) was is an executive Non Departmental Public Body set up under the 1967 Agriculture Act. Its remit is to work with the British meat and livestock industry (cattle, sheep and pigs) to improve its efficiency and competitive position, and to maintain and stimulate markets for red meat at home and British meat abroad, with due regard for the consumer. A statutory levy on all animals slaughtered funds MLC's activities.

MLC took a strategic decision some time ago to support sustainable development initiatives and sustainable procurement therein. It is our view that sustainable procurement is essential to meeting the objectives in our remit as stated above, as well as being a public good in itself.

Accordingly, MLC has taken an active role in Defra's sustainable food procurement initiative, sitting on the Joint Procurement Implementation Group (JPIG) and contributing to the Food Procurement Implementation Group (FPIG).

In addition, MLC has worked with the NHS Sustainable Implementation Group and collaborated in the Government Offices for the Regions' implementation workshops for suppliers and caterers. We undertake an annual survey of Local Authority Catering Managers' Attitudes to Sustainable Public Procurement and publish and disseminate a guide for public sector caterers; "Sustainable Catering in the Public Sector", which can downloaded here:

<http://store.mlc.org.uk/articles/dodownload.asp?a=store%2Eexample%2Eco%2Euk%2E9%2E2%2E2005%2E10%2E44%2E50%2Epdf&i=104370>

#### MLC'S RESPONSE TO THE SPECIFIC QUESTIONS SET BY THE COMMITTEE

##### 1. *Is setting targets for sustainable public procurement enough?*

No: It is our view that for targets to be effective, and in order to close the gap between commitment and implementation, there needs to be a clearer definition and understanding of who is responsible for delivering against the various targets.

MLC has undertaken research into the attitudes of local authority catering managers to sustainable public procurement and has found that, in many cases, the caterer is not aware of what the procurement team are sourcing and from where. For details of this survey please see Annex One below.

##### 2. *Should there be more stringent requirements on departments with regard to how they carry out sustainable procurement activities and how they are reported?*

Yes: Sustainable procurement targets should be written into the terms of public sector contracts and progress against these should be measured and reported during the life of the contract. These should function as an indicator of overall departmental performance.

##### 3. *How best can the performance of departments and local authorities be measured with the aim of allowing proper comparisons between them?*

Every department should be required to make progress against the key objectives set by Defra to:

- Raise production and process standards
- Increase tenders from small and local producers
- Increase consumption of healthy nutritious food
- Reduce adverse environmental impacts of production and supply
- Increase capacity of small and local suppliers to meet demand

For progress to be measured, a concurrent benchmark of progress against each of the 5 objectives should be established at the outset. For example each department and local authority should declare the number of tenders they receive from small and local producers. In light of varying circumstances in different departments, different targets can be set according to particular circumstances.

Comparisons between departments can then be measured by progress achieved against targets which are realistic for the department in question. Within a department, league tables of the performance of, for example, local education authorities, will enable comparison of same-type organisations.

Measurement of progress should be sensitive to the end result of changes in practice, and so include not just the provision of sustainable food but also its positive promotion and the degree of uptake by customers.

4. *How can the SDiG questionnaire be improved to provide more meaningful results?*

The SdiG questionnaire should exact fuller answers, rather than only a yes/no response. Requiring the respondent to give a fuller explanation via a sub-question would derive more meaningful information for monitoring progress.

For example—Question 1 is: “Do you have an environmental purchasing policy?”. Respondents who answer “Yes” should be asked what their environmental purchasing policy is and how it is measured whilst those answering “No” should be asked why not and when they are likely to adopt such a policy.

This broadening out of the questions should provide more meaningful results.

5. *Should there be improved guidance for departments on how to improve procurement practice, including risk assessment?*

Yes: Clearer guidance on what constitutes sustainable food procurement and on the legality of what can and cannot be included in procurement contracts is essential.

Many local authorities and other public sector buyers tell us they can't work within PSFPI because it breaks EU law. When questioned further on this, their understanding is that they have to open tenders up to the whole of the EU via OJEC.

They do not know what can legally be done to encourage UK supply chains and support the sustainable agenda by sourcing produce locally and seasonally.

Improved guidance should include recommendations regarding the provenance of products, how to determine and work with local suppliers, and the role of assurance schemes as a guarantor of sustainability.

With regards to risk assessment of red meat, whole chain assurance schemes such as the English Beef and Lamb Executive's (EBLEX) Quality Standard for Beef and Lamb and the British Pig Executive's (BPEX) Quality Standard for Pork and pork products, which are independently audited to EN45011 and are defined as “foundation schemes” should be recommended as the minimum standard.

6. *If so, who should be responsible for providing it?*

In terms of the Public Sector Food Procurement Initiative (PSFPI) this guidance should come from Defra. To date they have produced an excellent document and accompanying CD ROM, “Public Sector Food Procurement Initiative. Guidance for Buyers and their Internal Customers” as well an informative web site [www.defra.gov.uk/farm/sustain/procurement/toolkit.htm](http://www.defra.gov.uk/farm/sustain/procurement/toolkit.htm)

MLC has also recently updated our advice document ‘Red meat and the Public Sector Food Procurement Initiative’ which can be downloaded here:

<http://store.mlc.org.uk/articles/dodownload.asp?a=store%2Emlc%2Eorg%2Euk%2E12%2E10%2E2005%2E14%2E9%2E8%2Epdf&i=104370>

7. *Where are the examples of best practice within the public and private sector from which government departments can learn?*

There are a number of excellent case studies of best practice in food procurement, the primary ones being South Gloucestershire County Council (Contact Kay Knight, Catering Service Manager, South Gloucestershire Council, Charlborough Road, Filton Park, Filton. Bristol, BS12 7AR) and Bradford Metropolitan Borough Council (Contact Neil Stoddard, Head of Catering Services, Bradford MBC, Beswick Close, Laisterdyke, Bradford. BD3 8HW) and the Royal Cornwall Hospitals NHS Trust (Contact Mike Pearson, Catering Services Manager, The Royal Cornwall Hospital, Tresliske, Truro, Cornwall. TR1 3LJ) All of these public sector caterers have successfully embraced sustainable procurement policies including the use of locally and regionally sourced food.

These case studies should be shared across public sector providers with advice on key learnings from their development and a point of contact for queries on how to apply their model elsewhere.

Further examples of best practice in public sector catering procurement include the NHS Purchasing & Supplies Agency's review of PSFPI and approved butchers scheme, where a standardised meat cutting and packaging specification which referenced production and process standards to EN45011 was set, against which 25 butchers have now to deliver (Contact Alan Glover, Food Buyer, NHS PASA, Premier House, 60 Caversham Road, Reading, RG1 7EB and the London Borough of Sutton who are now serving organic Burgers and Sausages as standard across their 60+ primary schools—Contact Roger Denton, Head of Catering Services, Sutton Catering Services, 24 Denmark Road, Carlton, Surrey, SM5 2JG.

8. *Are the various work streams identified by the Sustainable Procurement Task Force adequate?*

They probably are adequate at present, as not everyone is yet working to these streams.

9. *What do the key components of the Action Plan need to be in order to ensure that its recommendations have maximum impact?*

The Action Plan needs to communicate the ethos of continuous improvement. Additionally, it is important to get everyone working towards a realistic set of measurable targets with progress reviewed regularly and reported on back to the SdiG for wider Government and NAO publication.

Sustainable Procurement policy requires a 'sea change' in attitude from those tasked with delivery. Each identified barrier needs systematically to be challenged and overcome in order for the overall strategy to be achieved across central and local government.

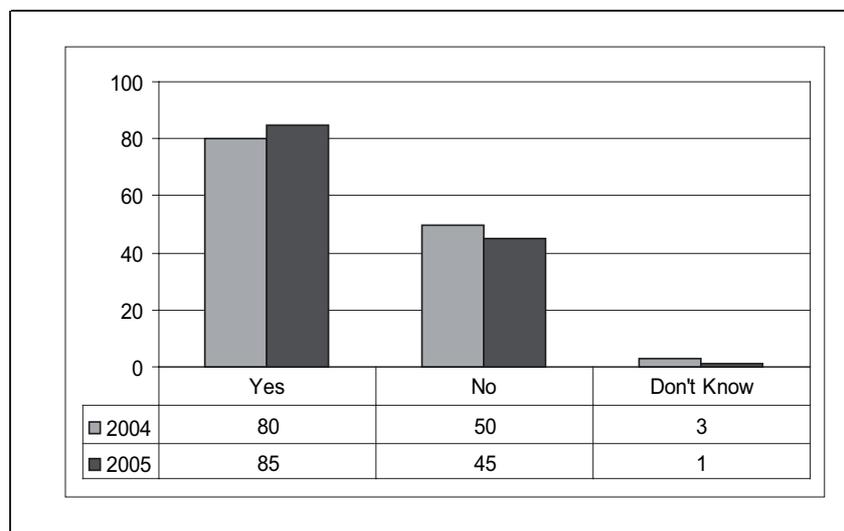
## Annex 1

### MLC LOCAL EDUCATION AUTHORITIES SURVEY 2005

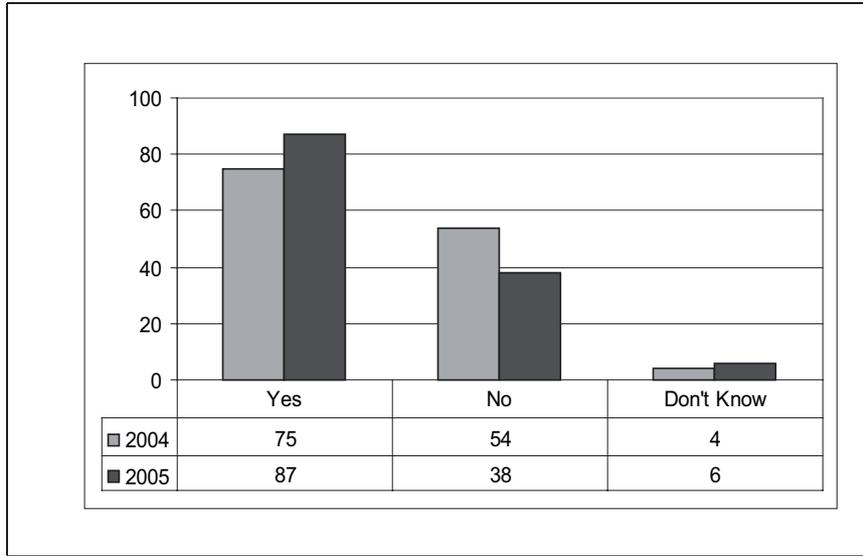
- 90% of Local Authorities responded compared to 92% in 2004.
- The respondents were the Local Authorities' DSOs rather than the procurement managers.
- There are now 11 (up 1 from 2004) Local Authorities which do not offer a centralised school meals service.
- There are now 36 (up 2 from 2004) Local Authorities which sub-contract their school meals service.

### KEY FINDINGS (FULL RESULTS AVAILABLE ON REQUEST)

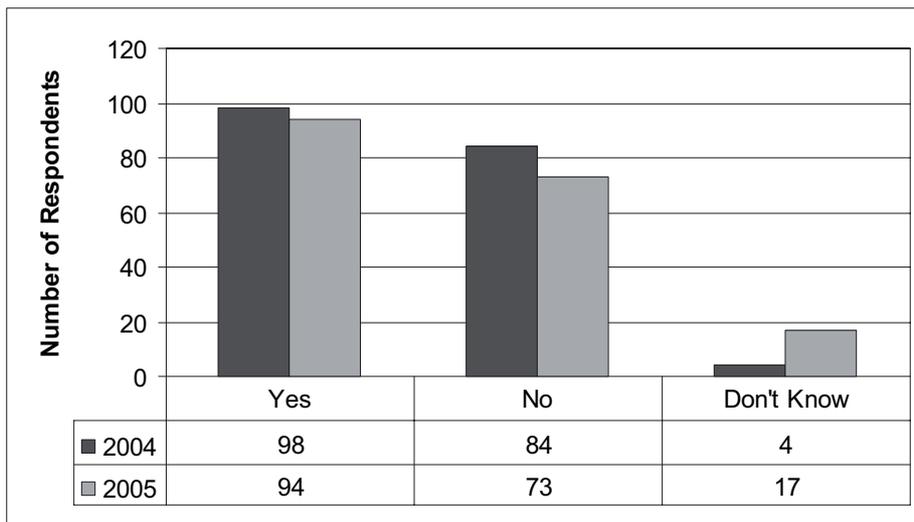
Q. *Has your organization adopted sustainable development policies in relation to its food purchasing? (LEAs in England)*



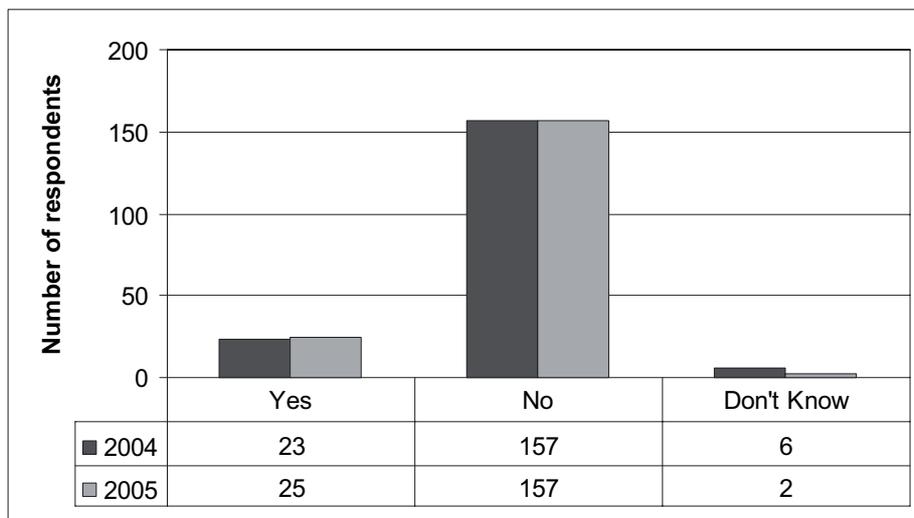
Q. Have you received advice or information from DEFRA? (LEA's in England)



Q. Is your meat supply contract structured so that small or local producers can tender for part of it? (All responding LEA's)



Q. Do you buy any organic meat? (All LEA's)



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## Memorandum submitted by the Nappy Alliance

### INTRODUCTION

The Nappy Alliance was established by 11 independent providers of modern real nappies to act as the trade body for the commercial market, to promote reusable nappy use amongst new parents and to address the on-going issue of the 8 million disposable nappies which go to landfill in the UK everyday.

The Nappy Alliance welcomes the Committee's inquiry into sustainable procurement by central government and recognises the valuable work of the predecessor Committee on this issue.

The key issue of concern for the Nappy Alliance is waste prevention and Department of Health procurement policies relating to nappies for babies on NHS maternity wards.

### SUSTAINABLE AND ENVIRONMENTAL ISSUES

The vast majority of disposable nappies are sent to landfill sites. The environmental impacts of disposables include:

- nearly 3 billion nappies are thrown away in the UK every year—8 million nappies a day—making up to 4% of all household waste
- the decomposition timescale for the materials and chemicals currently used in disposables is unknown, however it is estimated to be hundreds of years
- landfill sites in themselves are an excessive use of land, potential sources of water pollution and methane gas.
- alternative routes for disposing of nappies along with other household waste, such as incineration, also come with environmental problems through the production of emissions.

The Prime Minister's Strategy Unit report *Waste Not Want Not* acknowledged in its four investment measures to reduce waste the need to promote real nappies, stating that "even modest initiatives to displace disposable nappy use with reusable nappies can have a significant waste minimisation impact". The Department for Environment, Food and Rural Affairs has consistently supported this view and its work to promote reusable nappy use at home is particularly welcomed by the Alliance.

However, we are concerned that DEFRA's work on the issue is undermined by the lack of commitment to a sustainable procurement policy on nappies within the NHS.

### DEPARTMENT OF HEALTH PROCUREMENT AND APPROACH TO REUSABLE NAPPIES

NHS hospitals provide nappies for use on maternity wards and, currently, disposable products are generally supplied. The NHS spent £1.5 million on disposable nappies which were distributed free of charge in 2002–03. In addition, hospitals must spend between 58p and 88p per baby, plus portering and service charges, disposing of the hundreds of thousands of disposable nappies brought onto maternity wards and officially classed as clinical waste.<sup>4</sup>

The Alliance is concerned that the Department of Health and, in turn, the NHS Purchasing and Supply Agency should take into account the serious environmental impacts of disposable nappies and their relative expense and replace them with reusable nappies; thus ensuring that the supply of continence products is in line with sustainable procurement goals and reducing NHS procurement and waste disposal costs.

Providing reusable nappies through the NHS would also expose consumers to products which are not single-use disposables; offering parents a personal choice and the opportunity to use reusables in a supportive environment. The early experience of parents is crucial in their decision as to the type of nappy that they are likely to continue to use for their baby. Therefore, trying cotton nappies on the ward makes it more likely that parents will use cotton nappies in the longer term at home; thus helping to achieve wider waste minimisation goals.<sup>5</sup>

After discussions with the Nappy Alliance, the Department of Health has recently re-visited its publication "Birth to Five", which is given free to all first time parents. It now details a cost breakdown of reusable and disposable nappies, demonstrating the significant cost savings of reusables. However, we are concerned that the opportunity to complement this positive approach with reusable nappy use on maternity wards may be lost because of a number of mistaken assumptions made by health professionals and procurement teams.

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<sup>4</sup> Hartigan, Elizabeth and Ann Link. *Nappies and the NHS*. Women's Environmental Network Report, March 2004.

<sup>5</sup> Uzzell, D and Leach, R. *The Implementation and Evaluation of Cotton Nappy Provision at East Surrey Hospital Maternity Unit* Environmental Psychology Research Group, University of Surrey.

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 ADDRESSING POPULAR MISCONCEPTIONS ABOUT REUSABLES
*Cost*

The Alliance is concerned at the NAO's finding that departmental procurement teams perceive "one of the main barriers to sustainable procurement . . . [to be] . . . a conflict between sustainable procurement and the focus on reducing costs". This is, however, a misconception we have also observed.

Significant financial savings can actually be made through the use of real nappies, with disposables costing as much as three times that of reusable nappies. Indeed, with access to bulk laundering services, hospitals are able to take advantage of lower laundry prices and further reduce the associated costs.

We welcome the NAO's recommendation that "OGC should continue to emphasise that value for money does not necessarily equate to least cost: [however] sustainable procurement may save department's money". We suggest that this is certainly the case for reusable nappies.

*Risk of Infection*

Reusable nappies are often wrongly perceived as containing a risk of infection, particularly during this period of heightened concern over Hospital-Acquired Infections (HAIs).

The use of modern reusable nappies has no proven link with HAIs. Through washing in a standard thermal disinfection wash cycle at 65 degrees almost all bacteria are neutralised.<sup>6</sup> Independent research has in fact found that reusables offer a greatly reduced risk of nappy rash and other skin infections.

## PROMOTING BEST PRACTICE

A number of NHS trusts have recognised the multiple benefits to be made by using reusable nappies and the Alliance has collected many examples of best practice from around the country. Two of these cases are outlined in an annex to this paper. We would be glad to provide the Committee with additional examples of best practice if necessary.

## THE WAY AHEAD

The Alliance believes that there is a clear opportunity for the National Health Service to implement best practice in waste reduction and clinical waste costs and that this opportunity to improve sustainable procurement practices is being overlooked by the Department of Health.

We suggest that the example of the provision of disposable nappies on maternity wards supports the NAO's finding, that there is a "gap between high level commitment [to sustainable procurement] and operational practice".

We therefore welcome the NAO's recommendation that "sustainability considerations could be better mainstreamed into public procurement practices" as being particularly relevant in this case.

Current requirements for sustainable procurement by government departments do not appear to have resulted in satisfactory practices within the Department of Health in this instance. The Alliance therefore suggests that improved guidance for Departments on pursuing sustainable procurement policies is required.

We hope to work constructively with the Department of Health to take forward existing and new initiatives in this area, and help to ensure sustainable procurement of modern reusable nappy products in the NHS becomes a reality.

**Annex 1**

## EXAMPLES OF NHS BEST PRACTICE IN REUSABLE NAPPIES

*Royal Devon and Exeter NHS Trust*

- Supply reusable nappies and wraps
- Laundry facility
- Poster displays on reusable nappies and landfill information highlighting environmental benefits of nappies.

Since 1999 all mothers in Exeter Maternity Unit have a cotton nappy in the cot at delivery, so the first nappy worn is a reusable nappy. Devon County Council approached *Cotton Bottoms*, a Nappy Alliance member, to set up an agreement to supply reusable nappy and the outer wraps, in order to reduce hospital waste, in particular from disposable nappies.

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<sup>6</sup> Minister for Health, House of Commons Hansard Written Answers, 20 July 2005.

They allow mothers to have a choice during their stay of which nappy they use to suit their lifestyle. The reusable nappies are collected by Cotton Bottoms and taken to a trust laundry. The scheme applies to Heavitree, Honiton, Okehampton and Tiverton Maternity Units. Cotton Bottoms also has a community scheme to provide nappies and laundry services to Exeter, although this is a separate venture.

Heavitree Hospital holds an Early Bird Session in the Maternity Unit for women and their partners to visit early on in their pregnancy where a display of reusable nappies is provided. This gives them time to consider their options in this regard. The hospital also has poster displays showing how long a disposable nappy takes to disintegrate on a landfill site, which surprises many mothers. They believe that pregnancy is a good time to give environmental information as women focus on the world their baby will grow up in.

#### *Sussex Downs and Weald NHS Trust*

- Work with local councils
- Work with Sussex Real Nappy Network and individual suppliers of real nappies
- Cotton Bottoms supply Real Nappies
- Community Centre display stand
- Outside health visitors advise and promote real nappy use
- Real nappy starter packs
- Nappy Loan Scheme
- Visits from Real Nappy Network coordinators

The Trust is very proactive in the area of re-usable nappies. It works with local councils, Brighton and Hove Sussex Real Nappy Network and individual suppliers of washable nappies.

The High Weald, Crowborough Birthing Unit is supplied with Cotton Bottoms by Wealden District Council and all mothers are supplied with them for their new born babies. There is therefore a high uptake of re-usable nappies which is subsequently encouraged by health visitors.

There is a Real Nappy display stand at Heathfield Community Centre and health visitors in the Ouse Valley area have arranged for more displays to be produced on a permanent basis. In Lewes and Newick outside speakers attend ante-natal groups and demonstrate and promote reusable nappies. In the Ouse Valley clients can also purchase real nappy starter packs for £5.

The Havens Sure Start area runs a nappy loan scheme where, for a token sum of £10, parents can purchase a whole set of reusable nappies and wraps. This has proved successful and increased the number of parents opting for the scheme, especially in deprived areas.

Their health visitors access training from local nappy suppliers or via the Real Nappy Network co-ordinator, who visits clinics regularly.

*17 October 2005*

### **Memorandum submitted by the National Farmers' Union**

#### **1. INTRODUCTION**

1.1 The National Farmers' Union is the democratic organisation for farmers and growers in England and Wales. The NFU represents 61,000 farmers and growers from the major agricultural and horticultural sectors on a range of issues including food policy. In recent years, the organisation has taken an increasing interest in the area of public procurement especially the public procurement of food and catering services.

1.2 The NFU's evidence will therefore be largely based on its experience in dealing with government agencies and departments in this area especially concentrating on the government's Public Sector Food Procurement Initiative (PSFPI) managed by DEFRA. At national and regional level, the NFU has endeavoured to inform policy and facilitate contact between policy makers, procurers, suppliers and farmers. The organisation is committed to helping the public sector procure sustainable food whilst at the same time signposting market opportunities to its members.

*2. Is setting targets for sustainable public procurement enough? Should there be more stringent requirements on departments with regard to how they carry out sustainable procurement activities and how they are reported?*

2.1 The 2005 NAO report found that departments were making good progress in this area. Effecting change on this scale will take time and targets need to reflect this and be achievable. Requirements could be made more stringent in an effort to speed up change and to also incentivise poor performers. The report also found discrepancies between high level and operational level and it is important that changes to targets reflect this dislocation.

2.2 While the NAO report focuses on procurement by central departments it should be noted that procurement for schools is progressed by Local Authorities. The evidence would suggest that PSFPI has not encouraged all Local Authorities to engage in the issue of sustainable procurement. Recent research conducted by the Meat & Livestock Commission into the Public Sector Food Procurement Initiative's effectiveness at Local Authority level in England has shown the following:

<i>Question</i>	<i>Yes</i>	<i>No</i>	<i>Don't know</i>
Has your organisation adopted sustainable development policies in relation to its food purchasing?	117	63	4
Have you received advice or information from DEFRA	87	38	6
Do you (nevertheless) include sustainability criteria in your food supply contracts?	86	41	4

*Source:* MLC Local Education Authorities Survey 2005—90% of Local Authorities responded

2.3 These figures show a more pressing need to inform and encourage Local Authorities to engage in the process before targets are set. It would seem that targets or more stringent measures also need to take into account the fact that there are these discrepancies between Local Authorities.

3. *How best can the performance of departments and local authorities be measured with the aim of allowing proper comparisons between them? How can the SDiG questionnaire be improved to provide more meaningful results?*

3.1 There appears to be a plethora of initiatives that affect the procurer. At the top level the co-ordination of these initiatives would seem to be seamless and the process is often assisted by inter-departmental ministerial meetings. Many commentators have suggested that the Gershon Efficiency Review and many of the sustainable procurement initiatives are incompatible. At the highest level any such suggestion has been dismissed and OGC have endeavoured to point out that efficiency and sustainability can work hand in hand with one another. At the same time at grass roots level, procurers complain that in practice, to satisfy the objectives of both is impossible and that the efficiency review must take priority. The NFU therefore agrees with the NAO finding that: "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."

3.2 It is important that government departments and agencies are measured against their own efficient delivery of sustainable development policy and that comparisons are also drawn between departments and agencies. This will enable poor performers to make improvements while successful bodies can share best practice between one another.

3.3 Obviously the SDiG questionnaire covers a multitude of areas and their impact on sustainable development. The questionnaire has undoubtedly been improved in line with recommendations made by NAO and the EAC but continuous improvement in relation to food procurement is needed and the area should be covered in much greater depth. This may also help to address the finding made by the NAO in September 2005 that "the wording of the questions allowed considerable scope for interpretation. This led to inconsistencies in reported answers."

3.4 The Defra Food Procurement Implementation Group (FPIG) feedback mechanisms gauge the success of the initiative in greater detail. It is perhaps more difficult to make immediate comparisons as the feedback is more qualitative in nature. However it is almost certainly easier for participants to share best practice and to cover the issues in greater depth which the SDiG questionnaire in its current form does not allow.

4. *Should there be improved guidance for departments on how to improve procurement practice, including risk assessment? If so, who should be responsible for providing it?*

4.1 Written guidance for departments on how to improve procurement practice should be easy to follow and compliment policy and other guidance available from government. "Blueprints" and specimen documents also seem to be popular amongst procurers and help with resource allocation.

4.2 As identified previously, government procurers have a plethora of initiatives to deal with and the situation with guidance is similarly confusing. In the area of food procurement guidance on how to improve procurement practice is available from a number of sources including:

- Defra
- Office of Government Commerce (OGC)
- DfES eg Healthy Living Blueprint for Schools
- Improvement and Development Agency (I&DeA)

— NGOs eg Sustain, Soil Association

4.3 Seemingly most central government departments tend to use DEFRA and OGC guidance to inform their procurement policies and tender documents. However some have only incorporated the information into their existing sustainability policies and action plans. That said the NFU has encountered similar problems to those found by NAO in that training and guidance in this area is not always accessible. In defence of the agencies above PSFPI training has been provided in the regions for procurers although attendance was voluntary.

4.4 At Local Authority level the picture is more confused with procurers using information from a wide range of sources or even preferring not to use any of the published guidance.

4.5 In some cases the guidance available can appear to be contradictory. This is evidenced by some procurers believing that the only sustainable food systems are those which are organic. The subsequent pursuit of an inflexible organic sourcing policy could lead to a reduction in overall sustainability as in some areas local organic produce is not available. Therefore a situation may arise where organic produce comes from longer distances where its environmental impact is much greater. It is essential that guidance and training be widely available and also joined up to minimise confusion.

4.6 Defra have released a number of useful documents relating to the sustainable purchase of food. DEFRA's Guidance for Buyers & their Internal customers to PSFPI (<http://www.defra.gov.uk/farm/sustain/procurement/pdf/foodprocure.pdf>) which provides general advice into the incorporation of sustainable development into procurement of food and catering services was produced in 2003 and served as a good introduction to this area.

4.7 More recently, Defra's Catering Services and Food Procurement Toolkit (<http://www.defra.gov.uk/farm/sustain/procurement/toolkit.htm>) which is available to buyers and non-procurement professionals, sought to cover the issue in greater detail. The toolkit provides practical guidance and templates to assist in the procurement of catering services and food from wholesalers and producers. The toolkit contains guidance on how to incorporate the aims of the Public Sector Food Procurement Initiative into catering and food supply contracts as well as sample tender documents, specifications and model contract clauses that can be used by buyers.

5. *Where are the examples of best practice within the public and private sector from which government departments can learn?*

5.1 There are a number of good examples which the public sector can learn from. Many of these have been published as case studies already. Defra's PSFPI website contains a number of good examples and the Welsh Procurement Initiative have produced *Food for Thought—A new Approach to public sector food procurement case studies April 2005*.

5.2 Many of the successful case studies in the public sector have been in pilot form. They have been managed with extra care and attention to detail and have often been in receipt of funding from Defra or other bodies to assist in their set-up. One of the real challenges is how to scale up the procurement pilots and how to duplicate their success on a much greater scale.

5.3 There are examples of best practice where the private sector buys food. The models employed by Marks & Spencer and Waitrose link farmer, processor and retailer together. This not only improves the flow of information but also means that the whole chain is committed to improving sustainability.

6. *Are the various work streams identified by the Sustainable Procurement Task Force adequate? What do the key components of the Action Plan need to be in order to ensure that its recommendations have maximum impact?*

6.1 The NFU believes that the Sustainable Procurement Task Force work will go some way to assisting in the delivery of the government's objectives in this area. All of the workstreams seem to have relevance to the area and should assist in breaking down many of the barriers to sustainable procurement. The Action Plan should look to assist in the breaking down of barriers to the advancement of sustainable procurement thereby demonstrating to individuals and the private sector that sustainable development is achievable and that the government is serious in its intentions to progress it.

## 7. CONCLUSIONS

7.1 The public procurement of food is a complicated area not least due to the myriad of routes to market and the different structures which exist between departments and agencies and also within them. For instance hospitals with their own catering capability can buy their food from the NHS Purchasing & Supply Agency (PASA) or from delivered wholesalers or directly from food producers. Those without catering facilities can buy from the above or through a third party catering company. It is worth noting that some NHS trusts may use a combination of the supply chains outlined above. Hospitals managed under Private

Finance initiatives may purchase food in any number of the ways mentioned above and unless sustainable procurement requirements are included within the contract there are no obligations on the PFI company to purchase with these considerations in mind.

7.2 It is important that procurers are able to adapt to local and regional circumstances and also act in the best interests of the local economy where feasible and within EU procurement rules. However the diverse routes to market, the large numbers of decision-makers and the different interpretations of government policy mean that there are a myriad of responses to this difficult issue and in some cases sustainability has not been addressed at all by procurers.

7.3 Whilst sustainability is the responsibility of all, government must be explicit in how it wants to achieve this in procurement. Clarity in the high level processes is evident but that is not enough. Help needs to be given to those actually doing the procuring. At every step of the procurement process, from identifying need, writing the specification, selection, tender evaluation and contract management, government departments must be clear what they want so suppliers can react accordingly. The private sector will then be able to invest in innovation and creative ways to deliver what the public sector wants.

20 October 2005

### **Memorandum submitted by the Sustainable Development Commission**

1. The Sustainable Development Commission (SDC) is the Government's independent advisory body on sustainable development reporting directly to the Prime Minister and the First Ministers of the Devolved Administrations. The SDC's mission is to inspire government, the economy and society to embrace sustainable development as the central organising principle.

2. We continue to have significant engagement with driving forward the sustainable procurement agenda. Our perspective is informed by a wide of experience working with both public and private sector partners, from the NHS through to the National Consumer Council.

3. In December 2004, the SDC held a workshop on sustainable public procurement at HM Treasury, with participants from a wide range of backgrounds. Key barriers to progress on sustainable procurement included:

- A lack of clarity on the potential benefits of sustainable procurement.
- The devolution of procurement decisions.
- The omission of sustainable development principles from public audit mechanisms.
- The need for more systematic adoption of “invest to save” principles.
- A lack of technical knowledge around how to “do” sustainable procurement.
- The need of a centralised advice service for public sector procurement professionals.
- The value of a central source of good practice.
- The need for a clearer role for Regional Centres of Excellence.
- A wide misinterpretation of the Gershon agenda as being solely about cost. We highlighted how concern on this ran to Ministerial level.
- That targets in the National Procurement Strategy for Local Authorities are not being met and that there is a need for the audit process to pick up on this.
- A need for procurement specification to systematically consider long-term SD impacts.

4. These barriers and challenges are outlined in more detail in our submission to the EAC's previous inquiry (dated 11 February 2005). This also stands as the basis for our current position on this subject, outlining our key concerns and recommendations for improvement. The key elements of this position are re-iterated below, along with some new developments, and additional areas of opportunity and challenge.

#### **PUBLIC SPENDING FOR PUBLIC BENEFIT**

5. We stand by our previous submission that public spending—at over £125 billion per year—should be spent for public benefit and sustainable outcomes. Whilst there are isolated, good examples where individual public agencies are taking a lead on this, time and again opportunities for achieving wider objectives—poverty reduction, environmental improvements, and public health, for example—are being missed in the race for low prices and efficiency.

6. The SDC is concerned that the commonly used phrase “value for money” is being interpreted across the public sector in narrow terms, most likely due to the psychological and organisational impacts of the Gershon efficiency agenda.

7. Taking local government as an example, the value for money concept is often associated with achieving “best value”. This is defined by the OGC as “the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement”<sup>7</sup>. The SDC believes that, under pressure from the efficiency agenda, neither whole-life costing nor quality are systematically being taken into account in procurement decisions.

<sup>7</sup> *Government Accounting 2000*, Office of Government Commerce.

8. Current discussion is around an alleged “conflict of interest” between efficiency and sustainability. The SDC views this as a myth. Sustainable procurement is about true, long-term value and requires the assessment of full whole-life costs of purchasing decisions. Mounting evidence proves that smart spending—choosing products that support the local economy of have minimal environmental impact—creates real value for money and, in the long run, saves money.

9. On this note, the SDC looks forward to the forthcoming guidance from OGC on achieving social benefits through procurement, due later this year. We also note a useful new report from the New Economics Foundation on how the public sector can use its purchasing power to deliver local economic development ([http://www.neweconomics.org/gen/z\\_sys\\_publicationdetail.aspx?pid=210](http://www.neweconomics.org/gen/z_sys_publicationdetail.aspx?pid=210)).

#### PROGRESS IN CENTRAL GOVERNMENT

10. We believe that the Government has a leading role to play in communicating clear and consistent messages on the benefits, rationale, and necessary mechanisms for achieving sustainable procurement at all levels across the public sector. The SDC notes a range of commitments in the UK’s Sustainable Development Strategy (SDS) relating to sustainable procurement, including a target to, “examine ways to encourage other organisations to commit to [sustainable procurement targets]” (page 54). We would expect the outcomes of these commitments to lead to a measurable step-change in public sector sustainable procurement.

11. Lack of leadership was one of the main barriers highlighted in our previous submission, and we are therefore encouraged by a number of recent signals from Government:

- *Sustainable Procurement Taskforce*. The appointment of the Sustainable Procurement Task Force—in which we are actively participating—represents in itself an important step forward in addressing the leadership deficit on this issue. We look forward to the publication of their Action Plan in early 2006, which will need to present a set of very stretching targets if the UK Government wishes to achieve its stated aim of becoming an EU leader on sustainable procurement by 2009 (SDS, page 54).
- *Sustainable Operations Board*. This Board was created in June 2005 to oversee the Government’s review of the Framework for Sustainable Development on the Government Estate—which includes targets relating to procurement. The Board is tasked with implementing commitments in the UK Government’s SDS relating to the way departments manage their land and buildings. This represents a further cross-departmental commitment to improving sustainable development in Government. The SDC believes this review is therefore a key opportunity for Government to ensure that the Framework targets are fit for purpose against the aims of the SDS.

#### SUSTAINABLE DEVELOPMENT IN GOVERNMENT REPORT

12. *Securing the Future* also contains a commitment that future SDiG reports will be produced wholly independent of Government. As part of its new SD Watchdog role, the SDC now has responsibility for the SDiG reporting process. Of interest to the EAC’s current inquiry, the report will include analysis of the UK Government’s performance on the sustainable procurement targets for its Estate in 2004–05. We aim to publish this report at the end of November.

13. Together, the SPTF, the Framework review, and the new independent SDiG reporting process are welcomed by the SDC and represent a significant step towards reaching the Government’s stated aims on sustainable procurement.

14. The SDC believes that positive steps are being taken to incorporate the principles of sustainable development into the public procurement framework. A very significant cultural, behavioural, and systems shift will be required, however, before this objective becomes a reality. We look forward to hearing the results of your inquiry.

31 October 2005