

Be Birmingham

DRAFT Sustainable Procurement Compact

Preface

“Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment.

“Sustainable procurement should consider the environmental, social and economic consequences of: design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers’ capabilities to address these consequences throughout the supply chain.”¹

National public sector procurement expenditure is in the region of £125 billion²; procurement expenditure by Birmingham City Council is estimated at approximately £900 million; the combined procurement budgets of members of Be Birmingham (the Local Strategic Partnership for Birmingham), which includes large public sector agencies with substantial budgets, amount to about £6 billion. These budgets bring with them the power to transform markets and make a major contribution to driving the way in which markets develop.

This Compact has been drawn up in the context of national policy, in particular:

- The ***UK Government Sustainable Procurement Action Plan***, 2007;
- ***Releasing Resources to the Front Line: An Independent Review of Public Sector Efficiency*** by Sir Peter Gershon (2004);
- The ***UK Government Sustainable Development Strategy, 2005 – Securing the Future***;

as well as:

- Development of the ***Birmingham Climate Change Strategy***.

The Compact forms part of the combined effort of members of Be Birmingham, working within this over-arching policy framework, to achieve the objectives of *Birmingham 2026: Our Vision for the Future* (Birmingham’s Sustainable Community Strategy), as well as its short-term outcomes and targets, outlined in the Local Area Agreement, and the minimum target agreed by all partners in relation to reductions in greenhouse gas emissions. The aim of this Compact is to ensure that expenditure in all areas of members’ activities is harnessed to the promotion and delivery of sustainable communities in Birmingham.

¹ *Procuring the Future*, Department for Environment, Food and Rural Affairs, 2006

² HM Treasury, *Transforming Public Procurement*, 2007

To that end, the Board of Be Birmingham endorsed its Sustainable Procurement Compact in principle in (month) 2008.

Signature Page (expressing commitment by partners, endorsement by national public sector agencies)

Foreword

Over the last 18 months, climate change has been the focus of intense scientific, economic and political attention worldwide.

For people throughout the world – especially in developed countries like Britain – the question is not *whether* to respond to climate change but *when* and *how*. Actions are required in response to national and international initiatives.

Addressing climate change is a long-term challenge. A key aim must be to reduce Birmingham's emissions of carbon dioxide, currently around 6.9 million tonnes each year. And with our growing population this could exceed 8 million tonnes by 2026.

That is why we are setting a target of a **60 per cent reduction in carbon dioxide emissions by 2026**. But these figures are measures of *direct* carbon dioxide emissions. Carbon dioxide emissions are also embodied in the goods and services consumed in the city: for example, in the production and transport of products manufactured overseas but purchased and consumed in Birmingham.

So what we buy, as individuals or as organisations, can raise or reduce the carbon dioxide emissions of Birmingham as goods and services can embody different levels of carbon because of the way they have been produced and brought to market.

And it is also vital that in developing a more sustainable approach to procurement that we also **address the economic, social and other environmental impacts** of the goods and services which public sector bodies purchase.

That is why this public sector procurement compact is a vital step forward in helping the city to reduce both its impact on climate change, and the wider impact of our requirements on the economic, social and environmental aspects of meeting our needs. By making improvements to the procedures for purchasing and procurement, which take into account greenhouse gas impacts, and economic, social and environmental impact assessments, we will be able to play a more significant part in creating a better quality of life for all.

This public procurement compact is founded on the framework developed by the national Sustainable Procurement Task Force and it sets down minimum standards for procurement practice in the public sector in Birmingham.

I am pleased that all public sector agencies in Birmingham will agree to achieve the Framework's Foundation Level by 2010, so committing themselves to achieve minimum standards for staff training, the preparation and high-level endorsement of a procurement policy, initial analysis of spending and suppliers to identify priorities for development, and the establishment of a basic approach to measuring performance.

This compact is vitally important to Birmingham and I commend it.

Cllr Paul Tilsley
Chairman
Be Birmingham

1. Background

The Sustainable Community Strategy is a strategic commissioning statement, which sets out how services are to be specified, secured and monitored at a strategic level. The Sustainable Community Strategy for Birmingham, ***Birmingham 2026: Our Vision for the Future***, is prepared by Be Birmingham through consultation with service providers and interested organisations and individuals across the city.

The framework of ***Birmingham 2026: Our Vision for the Future*** is:

- To succeed economically;
- To stay safe;
- To be healthy;
- To enjoy a high quality of life;
- To make a contribution.

The **Local Area Agreement** sets the short term priorities for Birmingham agreed between central government and Be Birmingham, which includes Birmingham City Council and other key partners. Such agreements last for three years. A new Local Area Agreement will be agreed to come into effect on the 1 April 2008.

Through the ***Birmingham Climate Change Strategy***, all members of Be Birmingham including Birmingham City Council will set a target to cut the city's greenhouse gas emissions by at least 60% by 2026.

This Compact is a collective agreement by the members of Be Birmingham. It is a commitment actively to use the procurement of goods and services as an instrument in their work to achieve sustainable communities. It recognises that procurement processes should have regard to wider policy outcomes and further the objectives set out in ***Birmingham 2026: Our Vision for the Future***, by operating as a delivery mechanism for the commitments contained in the Local Area Agreement and the Birmingham Climate Change Strategy.

2. Purpose

The purpose of this Compact is to promote and facilitate:

- The achievement of sustainable procurement;
- The planned and systematic use of sustainable procurement by members of Be Birmingham to achieve the objectives set out in ***Birmingham 2026: Our Vision for the Future***;
- The use of sustainable procurement as a delivery vehicle for the targets contained in the Local Area Agreement; and
- The achievement of commitments contained in the Birmingham Climate Change Strategy.

3. Status

This Compact is a voluntary commitment by its signatories. It is not a legally binding agreement and has no contractual status. Signatories accept and expect that their actions will

be assessed against the intentions expressed in this Compact and that they will be reviewed by Be Birmingham as to their progress in meeting those commitments.

Those members of Be Birmingham which are agencies of national government operating across a number of strategic partnership areas, and which are therefore subject to their own national or regional policies, have expressed support for the principles, aims and objectives of this Compact and have endorsed the Compact to that effect.

4. Commitments

Signatories affirm their commitment to the UK Government 2007 Sustainable Procurement Action Plan³.

The signatories to this Compact commit their respective organisations to take action to review and adapt their procurement in order to further the outcomes sought in *Birmingham 2026: Our Vision for the Future* and to deliver the commitments in the Local Area Agreement and the Birmingham Climate Change Strategy, and to maximise the social, economic and environmental sustainability of their procurement by:

- Maximising the economic, social and environmental benefits of procurement for the communities of Birmingham;
- Stimulation of sustainable markets by using their purchasing creatively in order to drive innovation in the design, construction and delivery of goods and services;
- Promotion of local employment and training opportunities, and development of skills, taking account of needs arising now or likely to arise in the future, including but not limited to those in emerging environmental and low-carbon industries and technologies;
- Working with communities and community-based organisations to ensure improved access to services by those living in deprived communities within the city, taking into account and striving to fulfil the commitments entered into in the Birmingham Voluntary and Community Services Compact;
- Ensuring that the effect of their procurement decisions on communities is taken into account and, wherever practicable, actively engaging with members of the communities concerned to involve them in procurement policies and processes affecting them;
- Ensuring that the city's environment is protected and improved and that any negative impact on the natural environment is minimised;
- Identifying opportunities for and actively supporting the local development of new low-carbon and environmental enterprises;
- Reducing emissions of CO₂ and other 'greenhouse' gases in line with agreed targets;
- Collaborating with other members of Be Birmingham in order to achieve delivery of the actions and commitments contained in this Compact;
- Actively engaging with existing and prospective suppliers to achieve these objectives.

5. Actions

5.1 Sustainable procurement policy development

³ Published by the Department for Food, the Environment and Rural Affairs, as lead department on behalf of HM Government, 2007

Signatories will:

- Where they have not already done so, develop a detailed policy specific to the needs and duties of their organisation which will support and further sustainable procurement, and ensure that this policy is communicated to all staff members, the organisation's suppliers, service deliverers, contractors and users;
- Ensure that their sustainable procurement policy is compatible with and helps deliver the social, economic and environmental objectives of *Birmingham 2026: Our Vision for the Future* and the Local Area Agreement, as well as the Birmingham Climate Change Strategy.

5.2 Resource allocation

Signatories will:

- Designate one or more senior members of staff to be responsible for the furtherance of these objectives, to monitor their implementation and evaluate their success;
- Provide appropriate training on sustainability to members of staff throughout their organisation in order to ensure effective implementation of their sustainable procurement policy.

5.3 Tendering and contract clauses

Signatories will ensure that:

- Procurement processes, including tender notices, bid assessment criteria and contract documentation are reviewed and drafted to ensure that future contracts reflect the social, economic and environmental outcomes sought in *Birmingham 2026: Our Vision for the Future*, the Local Area Agreement, as well as agreed targets for reduction of CO₂ and other 'global warming' emissions and this Compact;
- Sustainability policy and requirements are made clear and transparent in tender notices, advertising procedures and any other relevant documentation;
- Tendering and pre-tendering procedures are designed to take into account the size, nature, scale and resources of prospective tenderers;
- Guidance and support is available to tenderers and prospective tenderers where appropriate, in order to ensure that small, local and social enterprises are not unfairly disadvantaged by any additional sustainability requirements (for example, pre-qualification requirements);
- Tenders and contracts are specified in such as way as to encourage suppliers to obtain goods and products from sustainable sources at competitive prices.

5.4 Accounting

Signatories will ensure that:

- The budgetary and accounting mechanisms operating in their organisations encourage choice of value for money procurement solutions, this being defined as the optimum

combination of whole-life costs and fitness for purpose in meeting users' requirements⁴;

- In particular, barriers to sustainable procurement arising as a result of the distinction between capital and revenue budgets will be identified and resolved wherever possible;
- Where sustainable solutions involve costs for one department or organisation and benefits for another, and an overall whole-life costs analysis shows that these solutions generate a net public benefit, signatories will make every effort to find and negotiate a budgetary solution in partnership with the other department(s) or organisation(s) concerned.

5.5 Environmental Management System

Signatories will:

- Inform themselves of the objectives and application of Environmental Management Systems such as those accredited under ISO 14001, the European Standard Eco-Management and Auditing Scheme (EMAS), or other recognised equivalent standard, and where practicable and appropriate ensure that such a system is established and operational in their own organisation within three years.

5.6 Suppliers

Signatories will:

- Introduce measures encouraging all suppliers, as far as practicable and appropriate, to introduce an Environmental Management System into their organisation(s) which is accredited under ISO 14001, the European Standard Eco-Management and Auditing Scheme (EMAS) or other recognised equivalent standard as evidence of their capacity to deliver their obligations under the contract in such a way as is compatible with signatories' commitments contained in this Compact;
- Offer or signpost appropriate support through partnership with appropriate organisations, which is adequately promoted, advertised and targeted to small and medium-sized enterprises and to social enterprises, to help them adapt to their changing requirements in this area and to ensure as far as practicable that they have the opportunity to develop the capacity to meet any necessary and appropriate pre-qualification requirements introduced to fulfil the commitments contained in this Compact;
- Develop and adopt appropriate mechanisms, standards, processes and community benefit indicators which will facilitate the expansion of public purchasing from the Voluntary and Community Services sector and from small- and medium-sized enterprises.

5.7 Environmental impacts of goods and services

⁴ UK Government Sustainable Procurement Action Plan, 2007, p 20

Signatories will:

- Introduce procurement procedures enabling them as far as possible to:
 - ❖ Ensure that procurement decisions are based on a full range of factors, including social, environmental and economic, and that they will never be based on one single factor, such as price;
 - ❖ Identify and eliminate unnecessary consumption;
 - ❖ Identify and eliminate unnecessary waste;
 - ❖ Ensure products purchased are re-used;
 - ❖ Where they cannot be re-used, ensure that used products are recycled;
 - ❖ Avoid wherever possible the purchase of goods or products which cannot be re-used or recycled;
 - ❖ Where goods cannot be recycled, ensure that they are disposed of safely with minimum environmental impacts;
 - ❖ Encourage wherever practicable and appropriate the purchase of re-used and/or recycled goods and/or goods which have been awarded a recognised environmental certification and ensure that their purchasing catalogues contain, identify and recommend these products;
 - ❖ Phase out goods and products known to be harmful to the environment, such as those containing ozone-depleting substances or volatile organic compounds, or those creating emissions harmful to the environment and/or human health, including “greenhouse gas” emissions and, where this is not possible, take steps to minimise these impacts, for example through the purchase of low-emission vehicles or equipment;
 - ❖ Take steps to ensure that natural materials, such as wood, are obtained from sustainable sources and certified as such by a recognised authority;
 - ❖ Take reasonable and proportionate steps to check that the goods and services they source are fairly traded and observe recognised ethical standards;
 - ❖ Ensure that the environmental impacts embedded in and/or produced by the goods and services they purchase are minimised;
 - ❖ Ensure any food they source is fresh, healthy and fairly traded.

5.8 Energy

Signatories will:

- Ensure that they minimise overall purchases of energy and maximise renewable sources of energy as a percentage of their total energy consumption;
- Keep their energy purchases under regular review and make ongoing reductions wherever practicable in order to comply as a minimum with targets set by national government;
- Take steps to ensure that their purchases of goods and services:
 - ❖ Minimise embedded energy and especially embedded greenhouse gas emissions;
 - ❖ Minimise overall energy use and maximise the proportion of renewable energy in their applications;

- Ensure that purchases of goods and services from suppliers and sub-contractors are specified in line with signatories' commitment to cutting greenhouse gas emissions, which will be set out in the Birmingham Climate Change Strategy ;
- Encourage suppliers and sub-contractors with over 250 full-time equivalent employees to commit to achieving, as a minimum, targets set by national government for reductions in greenhouse gas emissions produced in the course of their own operations;
- Incentivise and encourage suppliers and sub-contractors to commit to and progress towards the agreed target set by Be Birmingham and to ensure that their sub-contractors and supply chains in turn do likewise;
- Where practicable and appropriate, identify and implement effective ways of off-setting carbon emissions embedded in or arising from their purchases.

5.9 *Dissemination and sharing of good practice*

Signatories will:

- Ensure that this Compact and their sustainability policy and requirements are communicated to existing and prospective suppliers and contractors as soon as possible, so that they are informed of any changes likely to affect existing practice and will have the opportunity of adapting their organisations where necessary;
- Ensure that this Compact and their sustainability policy and requirements are communicated appropriately to all staff throughout their organisation and that appropriate training, support and incentives are provided for implementation;
- Ensure that this Compact and their sustainability policy and requirements are clearly communicated to users and the wider community ;
- Share learning and good practice in the development of sustainable procurement;
- Provide help and support to small businesses, community organisations and social enterprises so that they can develop their own good practice.

5.10 *Implementation*

Signatories will:

- Identify areas of priority where the greatest sustainability gains can initially be made by their organisation with a view to targeting effort on them in the first instance;
- Encourage co-operation between departments, disciplines and organisations in developing sustainable procurement.

5.11 *Monitoring and evaluation*

Signatories will ensure that effective monitoring and evaluation procedures are established in order to:

- Assess and encourage progress in introducing the policies contained in this Compact;
- Evaluate and assess the implementation of this Compact within two years after signature and publicise the results;
- Ensure that progress is measured against the social, economic and environmental outcomes sought in *Birmingham 2026: Our Vision for the Future* and the commitments contained in the Local Area Agreement and the Birmingham Climate Change Strategy;

- Monitor and report their progress against the benchmarks set out in the Flexible Framework contained in the UK Government Sustainable Procurement Action Plan;
- Ensure that progress towards sustainable procurement is incremental and maintained in the future.

5.12 Review

Signatories will ensure that this Compact is reviewed and up-dated after a period of three years with reference to all of its provisions and specifically to the development of a common methodology for use by all Be Birmingham members to benchmark and measure emissions of greenhouse gases.