

CABINET

Thursday, 8 December 2022

PROCUREMENT POLICY

Report of the Strategy Lead (Environment)

Recommendation(s)

It is recommended that Cabinet approves the Procurement Policy Summary and Guidance and Implementation document (at Appendix 1 and Appendix 2) to go out for consultation with key suppliers, with the amended final document to be brought back to Cabinet for adoption after the consultation period.

The timeframe for the consultation period and subsequent further Cabinet approval will be set to allow the implementation of a final Policy by 1 October 2023 (subject to consultation), as per the implementation timeframe outlined in paragraph 17.

Summary

The Council declared a Climate and Environmental Emergency in July 2019 and agreed that the Council's Procurement Policy should recognise carbon neutrality as one of the primary considerations. When included within the Council's total carbon emissions, 'Scope 3 emissions' ('Scope 3' includes business travel, commuting, working from home and procurement) account for approximately 80% of the overall carbon footprint (of which the emissions relating to the procurement of goods and services account for the overwhelming majority). See paragraph 12 for further details.

The purpose of this Policy is to inform all Council employees, procuring managers, suppliers and contractors of the Council's new expectations in relation to procuring goods and services in a more sustainable way. This includes considering the wider environmental, social and economic benefits when procuring goods and services, and in particular the suppliers' carbon emissions.

Statutory Powers

s1 Localism Act 2011

Public Procurement Regulations 2015 (As amended)

Strategic Implications

- (1) Climate breakdown and negative environmental impacts are among the biggest challenges facing the long-term future of residents and businesses of Eastleigh.
- (2) When included within the Council's total carbon emissions, 'Scope 3 emissions' account for approximately 80% of the overall carbon footprint (of which the emissions relating to the procurement of goods and services account for the overwhelming majority, 95%)
- (3) By better monitoring the emissions resulting from the procurement of goods and services in the future, the Council can:
 - Assess where the emission hotspots are in its supply chain;
 - Identify resource and energy risks in its supply chain;
 - Identify energy efficiency and associated cost reduction opportunities in its supply chain;
 - Engage suppliers and assist them to implement sustainability initiatives; and
 - Improve the Council's energy efficiency.
- (4) The Council's Procurement Policy will encourage our suppliers to reduce their environmental footprint, thereby helping the Council reduce its own wider carbon emissions, contributing to environmental objectives in the Corporate Plan 2015-2025.
- (5) The Procurement Policy will also contribute to improving societal benefits and driving local economic growth.

Introduction

- (6) Procurement is the process of purchasing goods, works and services to enable the Council to fulfil its functions. The Council's suppliers are among its most important stakeholders and the Council seeks to work collaboratively for a mutually beneficial relationship with its supply chain.
- (7) Sustainable procurement means considering the environmental, social and economic impacts when purchasing goods and services, in addition to conventional procurement considerations such as price.
- (8) This is achieved through addressing issues such as inequality, poverty, working conditions in the supply chain, purchasing sustainable products/services and embedding circular economy principles to reduce waste. This type of procurement can bring additional benefit to the community, over and above direct purchasing, known as Social Value.
- (9) The Procurement Policy was discussed and drafted with input from the Procurement Executive Group in June and September 2022 and was presented to Audit and Resources Committee on 1 November 2022 to seek comments ahead of Cabinet. There was broad support for the Policy and

agreement with the recommendation to Cabinet to consult with key suppliers ahead of final adoption.

- (10) A summary of the Procurement Policy is presented at Appendix 1 and a guidance and implementation document is presented at Appendix 2.
- (11) The timeframe for the consultation period and subsequent further Cabinet approval will be set to allow the implementation of a final Policy by 1 October 2023 (subject to consultation), as per the implementation timeframe outlined in paragraph 17.

Greenhouse gas emissions

- (12) Greenhouse Gas emissions are categorised into three groups or 'scopes' by the widely used international accounting tool, the Greenhouse Gas (GHG) Protocol:
 - Scope 1 covers direct emissions from owned or controlled sources such as from combustion in owned or controlled boilers and vehicles;
 - Scope 2 covers indirect emissions from the generation of purchased electricity and water (Scope 2 emissions physically occur at the facilities where these are generated); and
 - Scope 3 includes all other indirect emissions that are a consequence of the activities of the organisation but occur from sources not owned or controlled by the organisation. Such examples include the use of purchased goods and services (procurement), business travel, employee commuting and working from home emissions.
- (13) The key driver for the Procurement Policy is to ensure that the Council's suppliers begin to report their greenhouse gas emissions to the Council in order to promote a culture overtime whereby suppliers will be encouraged to reduce their carbon emissions (and therefore the Council's overall 'Scope 3' emissions). This will be achieved on a phased-in basis for all suppliers of contracts over the current procurement threshold value*. A proportionate approach is being taken so that smaller businesses are not disadvantaged by being burdened disproportionately.
- (14) The Council fully recognises the need to work with its suppliers to encourage and drive forward sustainability improvements and the Policy aims to provide the necessary support and guidance for suppliers. It is expected that this Policy will be updated over time to allow for more stringent targets to be set and to also, subject to progress, introduce these requirements to all suppliers.
- (15) The Policy also outlines how wider social values (including broader environmental, social and economic benefits) should be taken account of during the procurement of goods, works and services.

**threshold for formal tendering is currently any contract valued £75,000 and above*

Proposed Policy

- (16) It is proposed that through the Policy and new recommended tender scoring criteria, the Council will select suppliers that actively:

Reduce their environmental footprint through:

- Reducing the lifecycle carbon impact of their goods and services;
- Aligning their aims with the Council's Climate and Environmental Emergency Strategy;
- Conserving resources, including the use of energy, water and materials; and
- Reducing waste and increasing reuse within their goods, services and operations.

Deliver benefits to society through:

- Complying with International Labour Organization (ILO) principles in respect to human rights and conditions of employment;
- Ensuring that slavery and human trafficking is not taking place in any of their supply chains and in any part of their business;
- Ensuring that the Council's procured goods and services, and the supply chains that our suppliers use are ethically sourced (therefore in a morally good and correct manner and aligned to existing Council values and policy);
- Ensuring that the Council's procured goods and services are equitable and accessible to service users;
- Ensuring appropriate and positive workplace behaviour;
- Ensuring compliance with equalities legislation; and
- Aligning the suppliers' aims and ambitions with the Council's Equalities Strategy.

Drive economic growth through:

- Supporting local job creation and facilitating opportunities for small-and-medium-sized enterprises (SMEs) and social businesses with local spend and employment where possible;
- Actively reducing the life-cycle cost of products; and
- Providing the living wage (at a minimum) to employees and contractors.

- (17) In particular, to reduce the lifecycle carbon impact of the Council's suppliers' goods and services, the proposed new requirements for the Council's suppliers of contracts above the current threshold value are:

From 1 October 2023

- Suppliers must report to the Council their 'Scope 1 and 2' greenhouse gas emissions on an annual basis.

From 1 April 2024

- Suppliers must report to the Council their 'Scope 1, 2 and 3' greenhouse gas emissions on an annual basis.

From 1 April 2025

- Suppliers must report to the Council their 'Scope 1, 2 and 3' greenhouse gas emissions on an annual basis and demonstrate the adoption of a carbon reduction plan for their business.

Supplier Selection and Monitoring

- (18) Suppliers of contracts over the current procurement threshold value will now be expected to report their greenhouse gas emissions and demonstrate the adoption of a carbon reduction plan, as a pass / fail question, as per the phased-in timeframes provided in paragraph 17 above. Suppliers will be granted six months' grace to comply with the new requirements from the contract award date.
- (19) In addition, procuring officers and managers will be required to select and score broader social value criteria (as outlined in paragraph 16 above) into their procurement exercises, proportionate to the value and type of contract. A framework detailing how to approach this is outlined in the Guidance and Implementation document at Appendix 2.
- (20) The adopted social value criteria as part of tender evaluation should then be reported as a suite of Key Performance Indicators throughout the lifetime of the contract.

Buying Standards

- (21) Responsible officers and managers who are procuring goods, services and works should now also set specific standards for the products they purchase. Specifically, procurers should strive to achieve the best practice standards, which go further than the mandatory standards identified within the Government Buying Standards (GBS).
- (22) In some circumstances the current Council standards may exceed the best practise GBS, in which case this practice should continue.
- (23) Responsible officers and managers will now be required to adhere to these standards and reflect them within tender specifications.

Stakeholder Engagement

- (24) In developing the Procurement Policy, a survey was sent to 40 current and recent suppliers representing approximately 90% of the Council's spend. The survey broadly sought views on the suppliers' environmental, social and economic practices and was open from 13 July to 19 August 2022.
- (25) Seven responses were received (representing a 17.5% response rate) which included three businesses from the construction sector, two from the

professional, scientific and technical sector, one from the manufacturing sector and one from the utilities sector.

- (26) In response to a question regarding the adoption of a net zero or carbon neutral target, just one business had set a carbon net-zero target, five are planning to and one has not. Furthermore, those who had yet to set such a target were unsure if such an endeavour would likely increase their costs. The business who had adopted a carbon target (who incidentally install solar panels, car chargers and other renewable energy technologies) stated that their target would not lead to an increased cost.
- (27) Finally, all seven businesses have (or have the equivalent of) modern slavery and equality and diversity policies.
- (28) In addition to the supplier survey, a staff survey on sustainable procurement was also open during August 2022 to gain insight from staff across the Council on the possible motivations and barriers to more sustainable procurement practises.
- (29) 48 staff responded from a range of departments which identified that around half of staff had already taken steps to procure more sustainably. Three quarters of staff do not know however what best practice for sustainable procurement is and nearly 60% did not know what the Council expects of them.
- (30) This suggests that there is already good ambition to procure more sustainably, and that this policy will help to increase the knowledge of staff to do so.

Next Steps

- (31) As the number of responses from the supplier survey was limited, it is clear that further supplier consultation and engagement is necessary. It is recommended that the Policy is consulted upon with key suppliers ahead of final adoption.
- (32) The consultation period and subsequent further Cabinet approval will seek for the final document to be adopted by 1 October 2023 (subject to consultation), as per the implementation timeframe outlined in paragraph 17.
- (33) The consultation period will give the Council's suppliers sufficient time to understand the Council's requirements ahead of introducing the phased approach (for greenhouse gas emission monitoring) and will ensure that the Council's suppliers will be able to deliver the ambitions.
- (34) The consultation period will also allow for a trial of the Policy with key suppliers and explore how the Council's suppliers would like to receive future support.
- (35) Subsequently, staff training and implementation of the Policy will be key to its success. To support this, the Council's Climate Change Manager, Sustainability Officer and Procurement and Insurance Officer will develop and

lead a package of support including training, tutorials, and the possible development of a procurement hub on the Council's intranet to support the implementation of the policy.

- (36) Ongoing review of the Policy will then be monitored through the Council's Procurement Executive Group.

Financial Implications

- (37) There are no direct financial implications for the development of the Procurement Policy at this stage and it is assumed that future procurement activity across the Council will be achieved within current resources.
- (38) As sustainability and social value criteria are weighted more heavily in the procurement of goods and services across the Council, it is possible that some suppliers may need to increase their costs. The impact the Policy will have on costs will be explored through the consultation exercise.
- (39) Purchasing goods, services and works which may be at higher environmental sustainability standards may also increase costs; however, as the market is driven in this direction, and as, for example, the One Horton Heath build phases are likely to purchase materials in bulk, suppliers may also be able to counteract higher product costs.
- (40) Procurement decisions will continue to progress through the normal decision-making process and so the potential increased costs to contracts will be monitored and scrutinised.
- (41) If managers identify that there is a need for additional budget, this will be identified during the service and budget planning process and reported as required to Cabinet.

Risk Assessment

- (42) This Policy will help suppliers and all Council staff understand the approach the Council now requires to procure goods and services in a more sustainable way.
- (43) Without the Policy, the Council would fall behind on its ambition to recognise carbon neutrality as one of the primary considerations in its Procurement Policy (as agreed as part of its Climate Change and Environmental Emergency declaration).

Equality and Diversity Implications

- (44) The Equality Act is relevant to the decision and an Equality Impact Assessment (EqIA) has been carried out and attached at Appendix 3. In summary the EqIA shows that:
- Any future procurement of goods, services or works may have the potential to impact on all people with protected characteristics,

depending on the procurement exercise at the time. Individual procurement exercises will however continue in the normal way.

- The Procurement Policy sets a framework to guide future procurement which seeks to promote additional environmental, social and economic values within the delivery of a contract.

Climate Change and Environmental Implications

- (45) The Procurement Policy is part of the Council's response to the Climate Change and Environmental Emergency declaration.
- (46) In 2020/21, the Council emitted 9,163 tonnes of carbon dioxide equivalent (tCO₂e) from its activities. The largest area of emissions was from 'Scope 3' activities (approximately 80% of the total, within areas that are generally a consequence of the Council's wider activities and are outside of the Council's direct control).
- (47) Of the total 'Scope 3' activities, the largest proportion was from procured activities (approximately 95%) and so it is vital that the Council's suppliers are encouraged to reduce their own carbon emissions.
- (48) Furthermore, of the Council's procured activities, the greatest area of emissions currently is construction (approximately 36%). When build phases of the One Horton Heath project begin this figure will rise significantly.
- (49) The requirement for all suppliers to commit to report the carbon emissions from their operations as part of this policy will help to promote a culture over time whereby suppliers will be encouraged to reduce their carbon emissions (and therefore the Council's overall 'Scope 3' emissions). Furthermore, the introduction of the buying standards and procurement weightings will allow the Council to objectively choose between differing suppliers based on their environmental, societal and broader economic values.

Conclusion

- (50) The Council will aim to procure goods and services in a way that minimises their impact on the environment and reducing carbon emissions, and gives value to the wider society and economy, balancing this with value for money over the long term.
- (51) The Procurement Policy outlines the expectations on the Council's suppliers and their supply chains, including reducing their carbon emissions and environmental footprint and delivering benefits to society and the economy.

MIKE CULVER
STRATEGY DEVELOPMENT SENIOR SPECIALIST

Date: 08 December 2022
Contact Officer: Mike Culver
Tel No: Ext.: 8472
e-mail: mike.culver@eastleigh.gov.uk
Appendices Attached: 3

LOCAL GOVERNMENT ACT 1972 - SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

- Procurement Policy, Report to Audit and Resources Committee, 1 November 2022
- Climate and Environment Emergency Update, Report to Policy and Performance Scrutiny Panel, 14 July 2022
- Modern Slavery Statement, Report to Cabinet, 13 September 2021
- Eastleigh Borough Council Procurement Code of Practice, October 2006

Appendices included in this report;

1. Procurement Policy – Summary
2. Procurement Policy – Guidance and Implementation
3. Procurement Policy – Equality Impact Assessment