

Report

Report to:	Climate Change and Sustainability Committee
Date of Meeting:	20 September 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Sustainable Procurement Duty and Climate Sustainability
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1. Purpose of Report

1.1. The purpose of the report is to: -

- ♦ provide an update on the Council's approach to embedding the Sustainable Procurement Duty in contracts, with specific focus on climate sustainability

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s): -

- (1) that the content of the report be noted.

3. Background

3.1. The Procurement Reform (Scotland) Act 2014 requires councils to consider how they can improve the economic, social and environmental wellbeing of the authority's area through the Sustainable Procurement Duty, with a particular focus on reducing inequality and contributing to the sustainable development goals.

3.2. The Sustainable Procurement Duty has a wider scope than climate, being focused on people and place, as well as planet. The factors impacting on wellbeing are defined as:

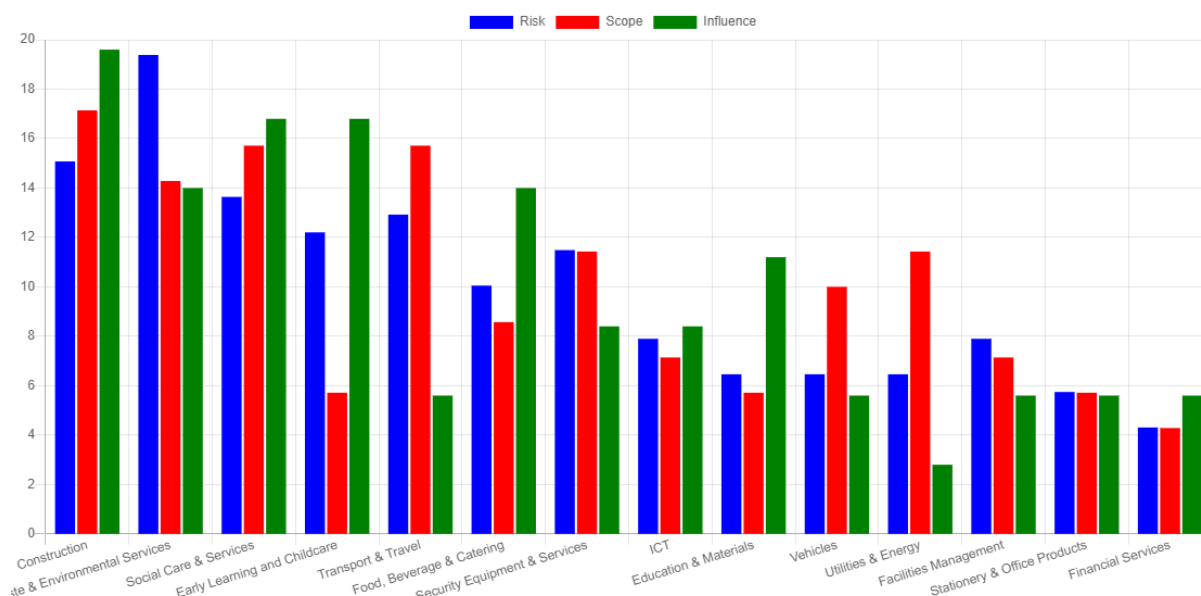
- ♦ economic: support local small SMEs, local availability of high quality jobs meeting fair work first standards and sustainable economic growth.
- ♦ social: positive impacts on communities, housing and health
- ♦ environmental: carbon emission reduction, water quality, climate change and biodiversity

3.3. The Council's Procurement Strategy 2023-2028 has "Sustainable and Ethical", "Fair Work" and "Community Wealth Building" as three of the seven key procurement objectives. The Council's progress on the Sustainable Procurement Duty is monitored through the Scottish Procurement Sustainable Toolkit and is reported annually in the Procurement Annual Report.

3.4. This report sets out the requirements on the use of the Sustainable Procurement Toolkit, Scottish Government procurement guidance on climate, sustainability in contracts and provides case studies illustrating the approach to sustainable procurement in tenders, with specific focus on climate issues.

4. Sustainable Procurement Tools

- 4.1. Scottish Government has developed a set of online Sustainable Procurement Tools which are used to support the implementation and monitoring of the Sustainable Procurement Duty, as outlined in section 3.1 above. In accordance with the wider scope of the duty, this focuses not only on environmental sustainability but includes assessment of Fair Work, Communities, Equality and Ethical trade. The tools are set out below:
- 4.2. Flexible Framework: this is a self-assessment framework that rates the council's approach through a set of standards, scoring from 1 – 5 (with 5 being the highest): the standards and the council's current performance is set out below:
 - ◆ People (level 2)
 - ◆ Objectives, Strategy and Communication (level 4)
 - ◆ Process (level 2)
 - ◆ Stakeholders (level 2)
 - ◆ Monitoring and Reporting (level 2)
- 4.3. The Procurement Service is responsible for assessing progress against the standards, which is currently reviewed on a six-monthly basis. Scottish Government expect progress against the Flexible Framework to be published annually in the Procurement Annual Report and the council complies with this requirement. Link to the 2021/22 annual report below:
https://www.southlanarkshire.gov.uk/download/downloads/id/14914/procurement_annual_report_2021-2022.odt
- 4.4. Prioritisation Tool: this supports early strategic planning and ensures a structured approach to the assessment of procurement categories, which are assessed based on spend, risk and ability to influence the market: completion of this tool for all council categories ensures an appropriate focus on priority contracts which have the most significant sustainability impact.
- 4.5. The Procurement team completed an assessment of the Prioritisation Tool, in consultation with the Sustainability team, Resources and Sustainable Procurement Scotland, in June 2022. Output from the Prioritisation Framework was published in the Procurement Annual Report 2021/2022.
- 4.6. The outcome from the Council's Prioritisation analysis is detailed below: this identifies the categories of spend where the Council has scope to improve sustainable outcomes and influence in the market to achieve this. Risk and impact are weighted against annual spend levels in each category. This analysis will guide future procurement strategies, focusing on areas of climate impact such as Construction and Waste Management and those areas with social and economic impacts, including Social Care and Early Learning.



- ◆ Risk: relevance of overall sustainability risk/relevance (environmental, socio-economic and reputational) to procurement category
- ◆ Scope: How much scope is there to improve the sustainability of procurement of this category
- ◆ Influence: level of influence your organisation might have over the market to improve sustainability outcomes

4.7. **Sustainability Test:** this ensures that sustainability requirements are embedded at contract or framework level: use of the sustainability tool would only be proposed for those contract categories identified as a priority. The sustainability test supports the development of the specification and contract management arrangements.

4.8. A sustainability test has been completed for two tenders, Household Waste Recycling Centres and Care at Home. This represented a significant investment in resourcing from Procurement and the procuring Resource to assess the sustainability impacts and ensure appropriate updates to the specification and technical requirements.

4.9. The current priorities to ensure progress in the Sustainable Procurement Duty include development of new guidance for the climate specific technical score and training for those involved in relevant procurements. We will also aim to go live with new Community Benefit monitoring software by March 2024. Future priorities will include responding to anticipated Scottish Government guidance on measuring and reducing scope three emissions through the supply chain, expected in 2024.

5. Sustainability in Contracts

5.1. Sustainability in contracts can be embedded in a tender through several routes:

- ◆ Single Procurement Document (SPD): completed by all bidders for regulated contracts, gathers information in respect of previous breaches of environmental law by suppliers
- ◆ Mandatory requirements: the council can mandate standards where it is legally competent to do so and non-discriminatory to bidders. This may include specifying specific environmental standards that bidders must comply with
- ◆ Technical envelope: specific technical questions on sustainability, which are weighted and scored as part of the tender evaluation
- ◆ Purchasing restrictions on minimum order and delivery levels: this can be a useful mechanism to ensure that regular orders of small value items, e.g., stationery, are ordered and delivered in an efficient way

- 5.2. Following approval from the Corporate Management Team in March 2023, the council's approach to sustainability weighting in contracts has been increased from 20% to 30% of the technical envelope and introduced a specific score for climate sustainability for the first time. The sustainability weighting can be varied between Fair Work First, Climate and Community Benefits depending on the works, goods or services being procured. For example, a construction contract may be equally weighted between all three categories, with a fleet contract being weighted towards climate impact and a Social Care contract being weighted towards Fair Work First.
- 5.3. The newly weighted sustainability question can be specific to each tender but generally asks bidders to demonstrate how they will ensure that the contract will be delivered in an environmentally sustainable way, with a focus on mitigating carbon emissions. Examples can include use of renewable energy sources, fuel efficient vehicles, working towards zero waste targets and sustainable use of natural resources.
- 5.4. The report to Climate Change and Sustainability Committee on 14 June 2023 on the motion to cut carbon emissions sets out progress in respect of construction climate impacts, including new build and retrofit arrangements for housing and council properties. The Procurement Service will provide support in sourcing, tender and evaluation in the tendering processes for works contracts to achieve new energy standards, with Housing and Technical Resources working towards embedding the new standards in tender specifications.

6. Scottish Government Guidance

- 6.1. Procurement guidance on climate, through Scottish Procurement Policy Note (SPPN) 03/2022 was published in June 2022. The requirements set out on procuring authorities were:
- ◆ To demonstrate how the council will prioritise and take account of climate and circular economy in our procurement activities
 - ◆ Use the Sustainable Procurement Toolkit to embed sustainability arrangements at category and contract level and monitor organisational progress
 - ◆ Report ongoing progress to these commitments in the Annual Procurement Report
 - ◆ Demonstrate how the council are using procurement to support Scotland's response to the climate emergency
- 6.2. The SPPN encourages councils to focus on the following principles:
- ◆ Whether to buy
 - ◆ What to buy
 - ◆ How to buy
 - ◆ How much to buy
- 6.3. These principles are supported by the Sustainability Test in the Sustainable Procurement Tools, and the council's Procurement Network has recently focused on demand management principles in respect of the procurement of goods, to consider whether we can buy less, if we need to buy at all, and encourage extending the useful life of products. Recent examples of demand management efficiencies which have generated a positive climate impact include removal of sticky notes from stationery catalogues, reduced thickness of laminate within schools and extended useful life of dust sheets.

7. Case Studies: sustainable procurement in tenders

- 7.1. The following case studies provide context on the approach to sustainable procurement in tenders, with specific focus on climate issues.

7.2. Case Study: Household Waste Recycling Centres (HWRC)

- ◆ The HWRC tender was published in July 2023 and the toolkit sustainability test was undertaken to ensure that sustainable standards were embedded in the specification and technical envelope
- ◆ Mandatory requirements included appropriate environment accreditation ISO140001: Environment Management System (or equivalent), waste management plans, environmental policies and training arrangements
- ◆ The climate weighting in the technical envelope was 8%, to reflect that core specification and purpose of the contract was focused on climate sustainability
- ◆ The technical question asked bidders to demonstrate how services could be delivered in a sustainable way with a focus on reducing emissions: examples included use of renewable energy, fuel efficient vehicles and working towards zero waste

7.3. Case Study: Passenger Transport Framework

- ◆ The Passenger Transport Framework for ASN transport, including minibuses and taxis, was awarded in November 2020 and runs until November 2024
- ◆ Under mandatory requirements, all vehicles to be used in provision of services were required to be less than five years old from date of first registration
- ◆ Climate sustainability in the technical envelope was weighted at 10%. The technical wording of the climate question focused on the reduction in fossil fuels and emissions and asked bidders to outline plans for introduction of low carbon, hybrid or electric vehicles and use of tracking and routing software
- ◆ Bidders were also asked to confirm compliance with the Council's "no idling" standards and encouraged to participate in the ECO Stars Fleet recognition scheme

7.4. Case Study: Construction Retrofit

- ◆ An award was made from the Procurement for Housing Energy Efficiency in Social Housing Framework, which has been specifically designed to deliver heating and whole property retrofit projects
- ◆ The refit of 26 properties in the Hamilton area included new roof coatings, replacement UPVC fascia and soffits and external wall insulation to improve energy efficiency of properties and reduce carbon emissions
- ◆ The works were carried out to the Ofgem Publicly Accessible Specification 2035, with multiple innovative energy improvement measures carried out in a whole house approach to retrofit

8. **Employee Implications**

- 8.1. The activity outlined in the report is met from existing resources in the Procurement team and in procuring Resources.

9. **Financial Implications**

- 9.1. There are no direct financial implications arising from this report.

10. **Climate Change, Sustainability and Environmental Implications**

- 10.1. The actions within this report are expected to have a positive bearing on the economic, social and environmental impacts of procurement.

11. **Other Implications**

- 11.1. There is a risk of additional costs arising from increased standards under the Sustainable Procurement Duty, to be managed from existing Resource budgets and a risk that future efforts to increase performance levels are restricted by resource constraints.

12. Equality Impact Assessment and Consultation Arrangements

12.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.

12.2. There were no consultation arrangements required for this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

31 August 2023

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, effective, efficient and transparent
- ◆ Ambitious, self-aware and improving

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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