

A Practical Approach to Greener Contracts



A PRACTICAL APPROACH TO GREENER CONTRACTS **(Code of Practice)**

1. The Environmental Policy Statement

Over the last ten years the environment has become increasingly significant to politicians and Council officers. In the past, environmental concerns have been limited to a narrow definition which included pollution, wildlife and habitat. The first Environmental Policy Statement (EPS) published, in 1990, was about improving the quality of the local environment. Since the Earth Summit in Rio in 1992, the agenda has been extended to incorporate the wider concept of sustainability. Subsequent Environmental Policy Statements have reflected this and have focused on wider global environmental issues and the Council's own environmental performance. The requirement under Best Value to address issues of sustainability and to strive for continuous improvement are also driving forces behind improving the environmental credentials and performance of the Council.

The fundamental aims of the Council's Environmental Policy Statement are very simple. They are to achieve:

- A better quality of life in the Royal Borough
- Better environmental performance by the Council.

The current Environmental Policy Statement 2000-2003 sets out six environmental objectives. Three of the objectives focus on lessening negative impacts on the environment, namely **reducing** air and noise pollution, traffic using the Borough's roads, energy use in the Council's buildings and housing stock. The remaining three objectives focus on contributing to beneficial impacts by **increasing** the proportion of waste being recycled, **conserving and enhancing** public spaces, open spaces and the street scene, and **enhancing** local biodiversity (for example through nature conservation). The EPS is published on the Council's website. Copies can also be obtained from the Strategy and Service Development Division (contact the Environmental Co-ordinator x5173).

2. Importance of Environmentally Sound Purchasing

The Council's environmental impact is not restricted to the things we do "in-house". If we purchase a product or service which has a large impact on the environment then we "buy in" that impact. It is vital to realise that the environmental performance of our suppliers, and things we get from them, profoundly affects our own environmental position. If they perform badly, then so do we!

As the Council's major purchasing mechanism, the contract process is key to ensuring that we buy in as little environmental impact as possible. The purchasing power of the

Council is considerable (typically the purchasing of goods and services can make up 40% of a local authority budget). If only a tiny fraction of these purchases included higher environmental specification, the Council could make an important difference. Clauses and specifications can be included in contracts which ensure that a supplier provides the most environmentally friendly service or product practicable.

Choosing the most environmentally friendly product or service available brings many benefits. It cuts down the amount of resources and energy used, and reduces the amount of pollution we are responsible for directly and indirectly. It also sends out a strong message of “environmental intent” to suppliers and shows the public and staff that we are serious in our environmental approach.

More and more successful businesses have realised that good environmental practice equals good business practice. Cost savings, in terms of greater energy efficiency and resource use, improved staff moral, and risk reduction by adopting higher standards, are but a few of the benefits likely to result from a sound environmental commitment. By working in partnership with our suppliers to ensure best environmental practice, we can ensure that these benefits are shared by all.

3. The Council's Commitment to "Green Purchasing"

The Council's Contract Regulations commits the Council to inserting environmental improvement clauses in all new contracts and those that come up for renewal or extension in every case where this is consistent with its overriding duty to achieve best value for money, by specifying that any goods, services and works should be provided to environmental standards at least as high as those set out in the Policy Statement or those adopted as policy (e.g. the Fleet Fuel Choice Policy/Alternative Fuels Programme) or best practice within the Council

By following through the steps in this chapter you will be in a position to improve the Council's environmental performance. Some of the greener options are very straight forward and can be adapted from those existing contracts which have incorporated green criteria - e.g. requiring the use of alternatively fuelled vehicles or requiring the contractor to minimise the use of packaging. Other options may require further, more detailed investigation. ***Environmental issues should be given preliminary consideration as part of the Pre-Purchase or Best Value Review to ensure that enough time is allowed to explore options, consider best practice elsewhere and to consult with the Environmental Co-ordinator.***

4. Greener Purchasing Philosophy

Consider the following very simple purchasing philosophy (which is on a par with the 3R's (reduce, re-use, recycle) of waste management:

- Elimination
- Reduction
- Re-use
- Recycling
- Disposal

5. Environmental Improvement = Value for Money

It is important to emphasize that factoring in environmental issues does also represent value for money.

Examples of factors which need to be considered in assessing whole life costs include:

- running costs such as the energy or water consumed by the product over its lifetime;
- indirect costs e.g. less energy efficient IT equipment will produce more heat causing the plant in air conditioned buildings to work harder to remove it so adding to the electricity bill;
- administrative cost, e.g. the use of more expensive product which is less harmful to the environment may reduce the time spent by staff complying with Control of Substances Hazardous to Health (COSHH) Regulations;
- Investing to save revenue costs (“spend to save” measures) e.g. specifying higher levels of insulation where the extra expenditure can be recouped from lower energy costs;
- not generally insisting on new items when refurbished parts or products could be used;
- recyclability e.g. purchasers can create markets for their own waste such as paper, toner cartridges, plastics etc. by buying products containing recycled materials; the cost of disposal arrangements.

5. Environmental Management Schemes

Formal standards for environmental management systems are now in place which assure purchasers that suppliers are operating to control their environmental impacts. Companies (and Local Authorities!) can obtain certification for their environmental management systems under ISO 14001 or the Eco-management and Audit Scheme (EMAS). More information on both schemes, but particularly on ISO 14001, is given in the DETR's guide to “Implementing Environmental Management in Government”.

EMAS and ISO 14001 are voluntary environmental management schemes promoted by the Government. However, it is not the Council's policy to require its suppliers to comply with them as a condition of selection to tender or award of a contract. Such a condition could conflict with EC rules on selecting providers by restricting those eligible to compete for orders. In addition, the Council itself has not subscribed to either of these management systems.

6. Unsubstantiated Environmental Claims

Purchasers should be wary of unsubstantiated environmental claims and environmental marks which have no formal recognition. Some typical phrases are:

“environmentally friendly” or “respects the environment” - meaningless if unexplained

“comes from managed forests” - virtually all forests used for paper making are managed, but some are managed in ways that are strongly criticised by environmentalists

“kinder to wildlife” - again, meaningless if unexplained

It is also important to realise that even when a claim is truthful the product may still not be environmentally benign e.g.

“CFC free” products still use ozone depleting substance such as HCFC and contain other products (e.g. Butane) which are greenhouse gases. Some manufacturers are even more misleading in their claims - some will label a product as “CFC free” when the product did not contain CFCs in the first place e.g. pump action sprays.

Further guidance on these issues is given in the Government’s “Green Claims Code”.

7. EC Eco-Label

Few organisations can afford to conduct detailed life-cycle (or whole life) assessments on all their products because of the technical expertise and resources required to produce meaningful results. This is where the EC Eco-Labelling scheme can help. The European Community established the Eco Labelling scheme, the aim of which is to encourage the design, manufacture and use of products which are less damaging to the environment across their whole lifecycle. It provides rigorous standards for certain product groups which are based on analysis of life cycle impacts and agreed at European level. The range of products with the label has increased and can help in deciding on greener choices.

The Eco-label will be an authoritative sign that *a particular product* is less harmful to the environment. However, the scheme is voluntary and therefore it does not follow that eco-labelled products perform better in environmental terms than non eco-labelled products (others may perform as well but just not have been registered under an eco-label). It can be useful to compare the eco-label criteria for a product with other product specifications to determine whether they are as green as the eco-label product.... but this in itself is time consuming. The benefit of a certified labelling scheme is that the environmental credentials have been substantiated. There are now 36 labelling schemes e.g. Blue Angel and the Swan.

8. Steps to Greener Purchasing

There are four key preparatory steps to greener purchasing. These steps should normally be taken prior to advertising the contract or at the tender stage at the latest except where negotiated procurement procedures are used.

These are:

1. Looking at the broader picture
2. Breaking the problem down into manageable pieces
3. Reviewing the action which can be taken to enhance environmental performance
4. Translating environmental improvement into the specification.

Step 1: Look at the broader picture first

1. Review Alternative Methods

- Changing practice can lead to significant environmental improvement - e.g. mulching rather than using pesticides, undertaking the first cut the year for hedges etc. earlier in the year can reduce the number of cuts required overall and can also avoid the critical nesting times for birds.
- Is the product or service you are buying the right one for the job in hand, or should you be approaching the problems in a totally different (and more environmentally friendly) manner?
- What are other similar organisations and local authorities doing - are you following current best practice?

2. Buy Less

The basic improvement measure is to buy less. This can be achieved in many different ways, for example:

- Using materials more intensively (e.g. photocopying on both sides of the paper, reducing the number of cleaning products used in favour of a proprietary cleaning agent).
- Buying more durable products.
- Proper maintenance and repair of equipment (ensuring that replacement parts are available rather than having to replace the whole item).
- Planning use better to minimise need (e.g. purchasing only enough paint for the job in hand).

Step 2: Break the problem down into manageable pieces

1. Products

Products can have an environmental impact at every stage of their manufacture, use and disposal. It's important to review all stages in a product's "life" to make sure that you don't miss any unexpected possibilities for improvement. The main stages are:

- Harvesting or extracting raw material
- Processing or production
- Packaging and distribution
- Usage

- Re-use, recyclability, and disposal

2. Services

For services the following aspects should be examined:

- How is the work to be done/service provided?
- How will any pollution produced - including noise - be minimised?
- What materials and products will be used and supplied? (You may have to undertake a review of these as outlined above.)
- How will materials, goods, and workmen be transported?
- How will other environmental issues be taken into account (e.g. siting, energy, water and resource consumption)?
- What considerations could be given to maintenance, longevity, durability, etc at the outset?

Step 3: Review the steps which can be taken to make the product/service more environmentally friendly.

A lot can be done to reduce the environmental impact of a product or service throughout its life. Some things are obvious e.g. the use of minimal and recycled packaging, using energy efficient equipment, recycling at the end of a products life. Other steps are more complex and case-specific e.g. the use of specific chemical processes in photography to minimise pollution. One in-house example of good practice relates to the microfilming contract. The specification requires the contractor to dispose of waste chemicals in a sound environmental manner. This process is checked prior to the award of the contract and will be monitored randomly during the life of the contract.

At the most general level you should look at each aspect of the product or service - as identified in Step 2 - to see if it is possible to reduce the amount of resources and energy used and the amount of pollution produced. You should also ensure that no endangered habitats, plants or animals are affected by the purchase - e.g. using hardwoods from an unsustainable source and (last, but by no means least) that no people or cultures are being affected. Addressing problems like these has become much easier as major suppliers and companies have adopted environmental charters and have introduced more environmentally benign products and methods of delivery.

For both products and services you might consider the following issues:

- increasing the use of recycled building materials particularly when contracting for a refurbishment
- ensuring the recyclability of products and that they are recycled at end of use
- encouraging the use of bio-degradable items
- avoiding the use of hazardous materials - e.g. certain pool chemicals, certain wood preservatives
- avoiding the use of hazardous substances in manufacture - e.g. solvents/lead in paints

- avoiding the use of products which result in the creation of hazardous materials e.g. HCFCs from aerosols (which deplete the ozone), Halon fire extinguishers
- reducing energy use - e.g. specify energy efficient lighting
- reducing resource use - e.g. minimise the amount of packaging used, minimise the number of products used (e.g. cleaning products)
- reducing water use
- avoiding the use/destruction of endangered resources/habitats - e.g. peat and tropical hardwoods from an unsustainable source - Forestry Stewardship Council (FSC) accredited products are widely available
- minimising the production of pollution (including noise) e.g. switching to alternative, greener fuels, specify products with low VOC (volatile organic compounds) emissions
- considering the use of natural materials over synthetic which can produce harmful emissions (this can be contentious!)
- using durable rather than “throwaway” items - e.g. rechargeable batteries
- being aware of specific environmental innovations available - e.g. energy saving circuits in computers, “quiet” asphalt and “glasphalt” as road surfacing materials, ultra efficient gas-condensing boilers, “Greenfreeze” refrigerators which do not contain harmful HCFCs, dual-fuel vehicles, multi-functional office equipment (e.g. fax/photocopier/printer in one)
- encouraging habitat creation and enhancement - e.g. tree planting and creating green space as part of new developments.

Many products and services will raise more complex case-specific issues - e.g. what can we use instead of tropical hardwood for window surrounds? What toxic chemicals are involved in the microfiching industry? To get to grips with the more specialised steps which can be taken to minimise the environmental impact of a product or process you may have to do some in-depth research. However, this will be well worth it as so many of the Council's contracts run for more than four years and the environmental impact can be enormous over that period of time if the issues are not adequately addressed at the outset.

Information can be obtained from many sources: The Strategy and Service Development Division in Environmental Services Business Group, other local authorities, central government (especially the DETR), environmental groups such as Friends of the Earth, suppliers' written product specifications and policy statements, market information in trade journals and specialists buyers' knowledge of products or processes, the Local Authority Energy Advisory Service (www.easiest.org.uk) and other websites on the Internet .

Step 4: Draw up green specifications

Once you've got a picture of what can be done to improve the environmental performance of a service or product you can draw up specifications which ensure best (or at least better) practice from your supplier.

Priorities

When you come to drawing up specifications for products and services, you will have to make a policy decision on what should be included - i.e. what your priorities are. When prioritising environmental considerations you should think in terms of environmental importance and volume. A purchase can be significant if the environmental effect is important, even if the volume of purchasing is small (for example, specifying no tropical hardwoods for one door frame); or if the volume of purchases is large even if the individual environmental effect is small (e.g. paper).

The following should be drawn to the attention of contractors:

1. The Council acknowledges the increasing public concern about the protection, preservation and enhancement of the environment on a local, national and global level.
2. The Council has an active Environmental Policy which directly affects the provision of certain commodity groups and services. [*The aims and objectives contained within the EPS should be included along with other tender documentation rather than sending individual copies of the EPS. Copies are available for review upon request from the Strategy and Service Development Division in Environmental Services (it is sufficient for the aims and objectives to be sent in the first instance)*].
3. Among the Council's key aims in addressing environmental performance are:
 - conserving energy, water, paper and other resources, particularly those which are scarce or non-renewable;
 - reducing waste through re-use and recycling and by using recycled products and materials where such alternatives are available;
 - to reduce pollution or the risk of pollution to air, land and water;
 - phasing out ozone-depleting substances and reducing the release of greenhouse gases, volatile organic compounds, vehicle emissions and other substances damaging to health and the environment;
 - working with contractors and suppliers through specifications to develop environmentally preferable foods and services at competitive prices.
4. The Council will monitor the effectiveness of the Contractor's compliance with all environmental aspects of the contract.

Drawing up specifications based on these criteria can contribute significantly to the achievement of the Council's aims and objectives on the environment.

Things to think about:

- The specifications you draw up should address as many of the issues which you raised in your review as possible, including wider activities of the contractor. It is better to be as exact as possible when defining specifications. You must also be realistic. One way to find out what is possible is to instigate a dialogue with potential suppliers to find out whether they are capable of supplying products and services that will meet any "greener" purchasing specification. Giving clear

guidelines to a supplier is the wisest way of guaranteeing a productive answer. It is in the suppliers' long-term interests to try and meet such demands, and it is important to make them aware of this. In many instances, suppliers have already responded to environmental pressures, and will be able to provide policy statements and written analyses of their products. For others there will be a growing perception that by addressing the environmental impact of their business, they will increase their chances of gaining local authority business.

- Is the specification written so that changes can be made during the life of the contract if (say) new products or methods of work are used? Contract managers have to make the best environmental decision possible at the time, rather than put it off because something is not 100% certain.
- If, after considering the legal aspects of the contract, you find that you are not allowed to ask questions about the contractors' commitment to a certain environmental activity, because it is not widespread in the industry, you can ask such questions "for research purposes". Although the answers cannot be used to select the contractors, they will be useful for future work as they will give an indication of what stage the industry is at.

9.

(i) Pre - Purchase or Best Value Review

(ii) Short-listing Contractors

(iii) Tender- Evaluation and Selection

The following should be considered in respect of (i), (ii) and (iii):

1. What weighting is given to environmental versus other relevant considerations?

The following should be considered in respect of (ii) and (iii):

- Does the contractor have a track record of good environmental practice?
- Does the contractor train staff in environmentally acceptable techniques, including waste minimisation?
- Does the contractor have an environmental policy or statement? (It is important to find out what the contractor does to implement its environmental policy.)
- Does the contractor monitor the progress of environmental targets?
- Does the contractor have a commitment to one of the two recognised management systems: EMAS or ISO14001, or a comparable system? (The Council has not subscribed to these forms of environmental management itself but does have in place many of the elements required under such systems - e.g. environmental aims/objectives, and action plan/work programme, targets, a system of monitoring, and an annual report available in the public domain, and is working towards improving upon this). It is fair to ask contractors to have some form of environmental management system because we have such a system.

Pre-Award Environmental Assessment (Procurement Review Stage 2)

Should the contractor supply an environmental method statement as part of their tender or other proposal to be considered for the contract?

2. Cost

At present the vast majority of purchasing activity is concentrated around the issue of price - purchasers normally look for the lowest quote or tender in a competitive bidding situation. When specifying "greener" options there might be a marginal increase in cost which will test our commitment to environmental issues (although it is often the case nowadays that the greener option is the same price as the conventional option). However, other costs should be balanced against this - e.g. the cost of ordering an alternatively fuelled vehicle may be higher but the cost of the fuel and the less frequent servicing may reduce the cost overall. You should always compare any initial cost against repair, maintenance and any saving you might achieve through reducing the amount purchased, to get a true view of the situation.

3. Performance

It is of course vital to test the performance of any environmental substitutes to ensure that they meet the required performance criteria.

10. Contract Monitoring

If suppliers are to be required to adopt an environmental policy, it must be monitored, or there is a danger that they may pay "lip service" to it. The following should be considered:

- A decision has to be made about the centrality of environmental considerations to the contract - will this affect monitoring?
- How will contractual obligations be monitored?
- What default/defect system is in place if the specification is not adhered to?
- Are the officers monitoring the contract trained in the green elements of the specification? If not what steps can be taken to help them monitor this element of the contract?

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