

# **SUSTAINABLE PROCUREMENT STRATEGY**

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## 1. Strategic Context

Sustainability is a key theme for the NHS as it has become apparent locally, nationally, and globally that the way we live now is having a detrimental effect on the quality of our lives and the environment we live in. To ensure a better quality of life now and for future generations, we need to look seriously at the way we use the earth's resources, operate our businesses and live our lives. A sustainable approach recognises the broader impacts of our actions and aims to minimise any adverse effects.

A more sustainable approach can be achieved through sustainable procurement - this is about taking environmental and social factors into account in purchasing decisions. It is about looking at what products are made of, where they come from, and who has made them. It's also about considering whether the item is necessary at all. Ultimately Shrewsbury & Telford Hospital NHS Trust's Sustainable Procurement Strategy is about minimising the environmental and social impacts of the purchases we make.

As the largest single organisation in the UK, the NHS has huge purchasing power and is responsible for major consumption of resources. The NHS emits around 18 million tonnes of CO<sub>2</sub> every year. Five percent of all the UK's emissions from road transport are attributable to NHS-related journeys.

The NHS is our national guardian of healthcare and wellbeing and as such it can provide a clear example for others to follow by working in partnership within the communities it serves and by providing clear leadership.

Working towards sustainable development will also impact on health outcomes. Public health, reducing health inequalities and sustainable development are wholly entwined. Increases in chronic conditions such as obesity, diabetes, asthma, hypertension and heart disease are in part caused by adverse environmental factors such as poor air quality, poor quality food, over-reliance on cars, and badly-designed environments limiting opportunities for physical activity. Mental health and health inequalities are also linked to these factors.

The UK Government's strategy for sustainable development 'Securing the Future' and the Department of Health's strategy 'Taking the Long Term View' are both major public health policies which provide a mandate for the NHS to engage in sustainable development. The strategies focus on four areas which provide the framework for SATH NHS Trust's Sustainability Policy and Carbon Management Plan:

- **Sustainable development and production** – using fewer material goods, using locally produced goods and services, minimising waste, maximising energy efficiency.
- **Climate change and energy** – encouraging low carbon lifestyles and travel habits, investing in energy from sustainable sources, using the most energy efficient goods and services.
- **Protecting natural resources and environment** – air, water, soil and biological resources.
- **Creating sustainable communities** – green spaces and access to nature, land use planning and public spaces, transport, cycle lanes, recreational facilities, social support networks, accessible low cost food – and a fairer world – reducing health and other inequalities.

(Taken – with modifications – from NHS SDU document: *NHS Board Level Sustainable Development Management Plan Guidance*)

It is not practical to issue a list of products deemed to be environmentally and / or ethically friendly but this guidance should help staff to evaluate the pros and cons of the products and services they intend to purchase. This guidance provides a framework to help staff take account of sustainability considerations throughout the procurement process.

There is much work to be done on sustainable development within the Trust, and the integration of sustainability considerations into the procurement cycle will become an integrated part of the procurement process.

Shropshire Healthcare Procurement Service will demonstrate leadership in sustainable procurement to support central government commitments in this area of policy and will work with its supply chains to achieve this by addressing specific aspects of sustainable procurement such as:

- Reducing fossil fuel usage to minimise climate change.
- Reducing usage of hazardous materials.
- Reducing waste
- Ensuring fair pay and working conditions through the supply chain.
- Reducing use of transport

To address the issues outlined above, Shropshire Healthcare Procurement Service will:

- Determine the need for procurement through the development of business cases and, as part of that process, consider alternative solutions to deliver the required outcomes.
- Procure to support the delivery of effective and efficient healthcare services, underpinning improvement in public health and the reduction of health inequalities.
- Minimise pollution and adverse impacts on the environment resulting directly and indirectly from procurement decisions.
- Minimise adverse impacts on individuals, communities, and cultures resulting directly and indirectly from procurement decisions.
- Stimulate and support innovation which provides more sustainable solutions.
- Promote transparency of sustainable procurement practice and decision-making, limiting the scope for unethical conduct (e.g bribery, corruption, deception, intimidation, fraud).
- Promote equitable working relationships throughout the supply chain.
- Provide support for the development of awareness, understanding and competency in relation to sustainable procurement across all procurement professionals at Shropshire Healthcare Procurement Service and wider NHS procurement function.

## 2. What is a Sustainable Product

A more sustainable product can be described as being:

- Fit for purpose and providing value for money
- Energy efficient and resource efficient
- Made with minimum use of virgin materials
- Made with maximum use of post consumer materials
- Non (or reduced) polluting
- Durable, easily upgraded, and repairable
- Reusable and recyclable
- Ethically sourced

## 3. Economic Regeneration

The Trust is one of the largest spending organisations in its locality and the more money that is spent locally, the greater the positive impact this will have on the local economy, particularly for small and medium sized businesses.

Procurement legislation and the Trusts own Standing Orders/Standing Financial Instructions limits the Trusts ability to favour local businesses, but there are numerous ways in which it can legitimately support local businesses including:

- Working proactively with partners to support local businesses through consultation, face to face meetings to explain how to do business with the Trust, and obtain their feedback in order to improve documentation and processes.
- Encourage local SME's (Small, Medium Enterprises) to join the electronic portal used by the Trust for placing quotation/tender documents, (ADB Multiquote), which will open up opportunities to compete for regional business which they would normally be unaware of.
- Advertising Trust contracts below the EU Tender Threshold (currently £113,057 exc. VAT) on the website in order to encourage local businesses and SME's to compete for business.
- Attending "Meet the Buyer" events hosted by Shropshire County Council and Shropshire Chamber of Commerce.
- Issuing contracts in a manner, where possible, that doesn't preclude the following from tendering.
  - Local and regional companies
  - Small and Medium sized enterprises
  - Newly formed businesses
  - The voluntary and community sector

The challenge for procurement is to balance the following conflicting priorities:

- Obtaining value for money and the required quality/quantity
- Sourcing locally where possible within the legislative framework.

#### 4. Aims and Objectives

Sustainability in purchasing need not necessarily cost more and there is now a much wider choice of environmentally friendly products. "Green goods" are not necessarily more expensive; often if the 'whole life cost' of a product is considered the cheapest product is more expensive in the long run. Whole life costing means taking into account the total cost of an item over its lifetime such as raw materials sourcing, running costs, transportation, admin costs and disposal costs.

Objectives achieved to date:-

- Sustainability considerations are addressed within the procurement cycle in official tenders, i.e. for purchases & contracts over £101,001 inc VAT.
- Include sustainability at 10% of total award criteria in EU tenders.

Future objectives:

- To seek alternatives to products and processes which are detrimental to the environment and social well-being by using more environmentally friendly and ethically traded and fair trade products and processes.
- To minimise waste, including: any packaging, waste produced by the product (or service) in question, during manufacture, through usage and waste generated by the eventual disposal of the product.
- To maximise the reuse and recycling of materials
- To stimulate demand for environmentally friendly products by letting manufacturers and suppliers know the environmental performance we expect of our products.
- Include principles for Electrical purchases over £20k
- Assess top 3 medical & top 3 non medical products supplied via NHS Supply Chain
- Include 10% sustainability in award criteria
- Assist towards the Trust Carbon Reduction Strategy target by investigating Carbon Footprint of products
- Reduce energy and water usage.
- Reduce Packaging, to include
  - avoiding waste and reducing landfill
  - check if the supplier will take back any substantial packaging for reuse
  - ask the supplier about the level of post consumer waste which is used in the makeup of the packaging
  - check with the supplier to ensure that packaging used on the product is recyclable
- Measurement and results, we intend to develop indicators of sustainable procurement performance and test these. Initial key performance indicators will be:-
  - Monitor reductions in waste
  - Monitor reductions in energy consumption

**5. 'Green purchasing' or 'sustainable procurement'** is about considering environmental, economic, ethical and social factors when making a purchasing decision. It is about looking at what the product is made of, where it has come from and who has made it. Ultimately the aim is to minimise the environmental and social impacts of the purchases that we make.

Traditionally purchasing considerations went no further than the initial purchase price. Today we know that this initial outlay may not be the largest expense. The cost of energy and water are likely to rise significantly over the coming decades, as resource scarcity and environmental controls on utility companies increase. Cost savings that might seem marginal at today's prices could well likely decrease as prices continue to rise.

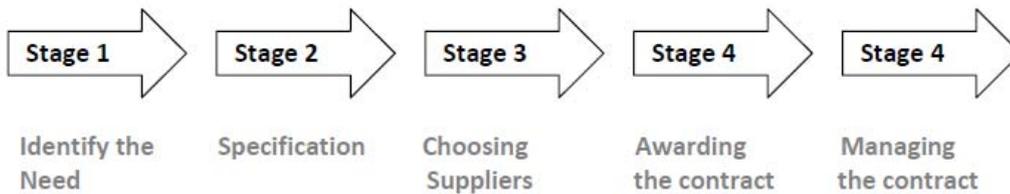
For nearly every item we buy there is a greener alternative. The 'green' market is expanding widely and rapidly due to the increased demand for sustainable goods. As previously stated "Green Goods" are not necessarily more expensive when the whole life cost is taken into consideration.

Before buying any goods, (items, products or services), a number of questions should be considered:

- *Are the goods or service really needed?* This analysis should be carried out for 'one off' and repeat purchases.
- *Can the need be met in a more sustainable way?* Consider all options i.e. goods manufactured with a high recycled content or that are identified as energy efficient.
- *Can the requirement be met by collaborating with other public sector organisations or by utilising agreed Local, Regional, National Contracts?* This may negate the need for you to undertake the process at all.
- *Is the quantity requested essential?* Order the minimum amount which it is practical to order. Items held in store are a cost to the Trust and are at risk from becoming obsolete and/or deteriorating. Obsolete stock items often end up in landfill sites.
- *Is a suitable piece of equipment available elsewhere in the Trust?* Consideration should be given to using equipment which may be available elsewhere in the Trust, or where possible, refurbishing existing equipment.
- *Can the product serve any useful purpose after its initial use?*
- *What is the 'whole life cost' of the product?*
- *Is the product made from a material that came from a sustainable source?* For example office furniture produced from sustainable forests.
- *How energy and water efficient is the purchase?*
- *What are the disposal costs for the product?*
- *Is the product/service available to buy locally?*

## 6. The Procurement Process

Purchasers are advised to consider environmental and sustainability issues as early as possible in the procurement process, as this is the point when greater influence can be exerted on the process, and where the strongest opportunities for achieving sustainable procurement can be found. SaTH are free to define the subject matter of a contract in the way that they consider it to be most sustainable.



### Stage 1 – Identify the need

All procurement of goods, works and services for the Trust must be carried out in accordance with EU and UK legislation. The Trust operates under the Standing Orders (SO's) and Standing Financial Instructions (SFI's), which can be found on the Trusts intranet.

The process of identifying the need is the most important point in the procurement process for considering environmental and sustainability issues. You may want to question whether the purchase is really essential, or could use be made of an existing product or a more environmentally friendly product or service.

Working with potential suppliers at this stage can also be beneficial and lead to, for example, reduced or returnable packaging, minimised road transport and more environmentally friendly production processes. Engaging with suppliers allows the Trust to consider how both it and its suppliers/contractors can improve the environmental qualities of products and manufacturing processes, both of which are likely to have a positive effect on whole life costs and hence value for money. However, you must be cautious to not over involve or accept the views of particular suppliers in determining the Trusts needs. It must be generic and not specific.

### Stage 2 – Specification

Careful consideration needs to be given to the way in which goods and services are specified in tender documents and quotation requests. However, legislation requires that the Trust does not indulge in anti-competitive or restrictive practices. To exclude certain sources of supply may be deemed anti-competitive or restrictive. The Trust is able to specify positive requirements that are:

- Applied equally to all tenderers
- Appropriate and relevant to the goods / service required
- A legitimate client interest
- Specified in the tender documents if going to tender
- Not anti-competitive or specify branded products
- Not non-commercial.

For example, to specify that hard wood veneers should not come from tropical rain forests may be restrictive. To specify that hard wood veneers should be supplied from a managed sustainable source is likely to be considered reasonable.

When writing a specification, consideration should be given to the goods / service over its lifecycle. The following can be used as a checklist to identify the potential sustainable development impacts of the goods / service you are procuring:

1. Specify the use of sustainably sourced materials
2. Minimise the impact of the disposal of the goods at the end of their use / life
3. Minimise water consumption
4. Decrease pollution
5. Decrease transport impacts

6. Use of renewable energy
7. Decrease the use of toxic chemicals, solvents and ozone depleting substances
8. Use of recycled materials and materials which can easily be re-used or recycled at the end of their life
9. Identify the appropriate 'environmental' symbols

This is not an exhaustive list; it is intended to assist you in identifying potential sustainable issues with your procurement. Not all will apply for each tender; likewise, there are many others that you will no doubt identify.

### **Stage 3 – Choosing Suppliers**

In choosing suppliers, care must be taken to ensure all potential suppliers are treated fairly and that they are each assessed using the same criteria. Suppliers may be rejected if they have been found guilty of a criminal offence, concerning professional conduct, or if they have been guilty of grave professional misconduct, which can be proven. There is an opportunity to consider environmental matters in both of these cases.

For large contracts the Trust would use a pre-qualification questionnaire (PQQ) that includes a section of questions on environmental matters. Potential suppliers should demonstrate that they take a serious commitment to protecting the environment in their systems and processes. This could either be by holding or working towards recognised standards such as ISO14001 Environmental Management Standard or their equivalent.

Potential suppliers can be asked to demonstrate their environmental technical competence, particularly where this is relevant to the subject of the contract, for example in construction or waste disposal contracts. In this case we can ask for specific knowledge or experience, descriptions of systems and processes for quality assurance and an indication of any environmental measures currently in place. Site visits can also be carried out.

In assessing technical capacity, it is also acceptable to consider previous contract experience. If, for example, a potential supplier had failed to meet their environmental obligations on a previous contract, this can be taken into account. Care needs to be taken to ensure that all candidates are treated fairly.

Remember to ensure that any evidence asked for is directly linked to the subject of the contract and ensure that information is only asked for on general policies where these have a direct affect on the suppliers' ability to perform the contract.

### **Stage 4 – Awarding the contract**

The evaluation criteria must be defined for all tenders undertaken within the European Procurement Directives in the tender advertisement, and within the tender documentation.

To consider factors other than price alone, the Trust should use 'the most economically advantageous tender' option. This allows the evaluation of bids using a range of criteria for example: cost, quality, technical merit, aesthetic and functional characteristics and running costs, all of which can have a direct impact on the environment. In assessing bids, the 'whole life cost' of goods/services should be taken into account.

The award criteria must be relevant to the subject of the contract. Purchasers should ensure that any environmental considerations are built into the tender specification at the earliest possible stage.

### **Stage 5 – Managing the contract**

The contract forms the framework within which both parties (the Trust and the supplier / contractor) can work together for continuous improvement and mutual benefit. The process of contract management involves monitoring the contractor's performance against the standards laid down in the contract conditions and specification.

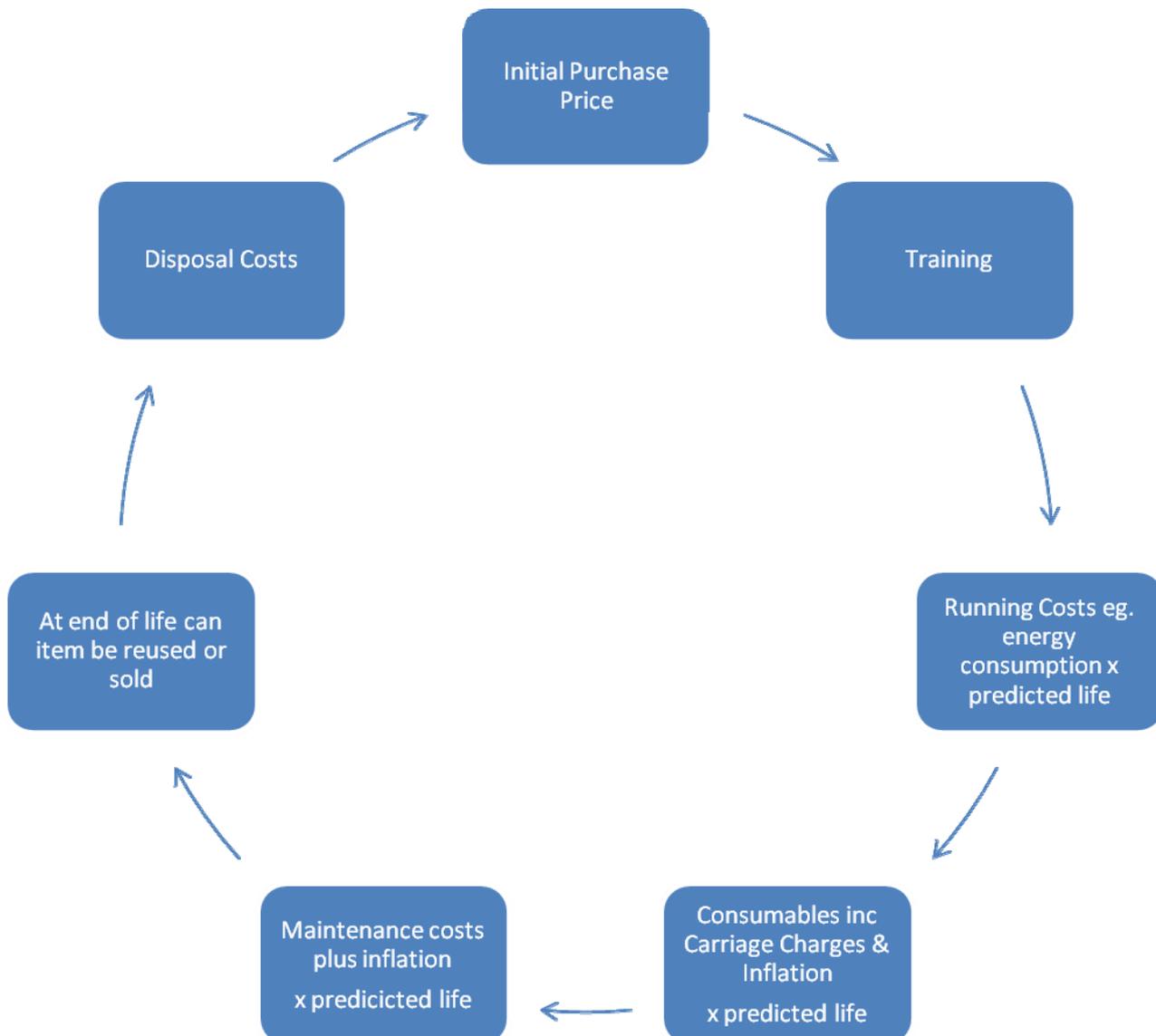
Contract conditions can be used to set environmental and/or sustainability targets for performance of the contract, whereby the contractor and customer can work together on continuous improvement in performance. For example, reducing transportation, reworking the procurement chain to remove wasteful processes, increasing the recycled content of products, minimising packaging or using only returnable packaging materials.

Care should also be taken to ensure that there are no contraventions of the European Procurement Directives as contract conditions may not be used as a substitute for either a technical specification or award criteria. There must be compliance with the Trusts' Standing Orders and Standing Financial Instructions.

## 7. Life Cycle Analysis

At the moment manufacturers are seeing a massive shift in their requirement towards producing goods that have been sourced sustainably, that are energy efficient during use and can be recycled at the product's end of life. However it is the purchaser's responsibility to buy these goods in the first place and to ensure that they are used and disposed of as they were intended. It takes both producers and purchasers to be responsible for a product's 'life cycle'.

Below is a simplified diagram showing a product's life cycle. It is important to be aware that the Trusts purchasing power has an effect not just on the product use stage, but also throughout the entirety of the 'product life'



The main environmental impacts of products occur at different times throughout their lifecycle. For some products, such as a plastic chair, the main impacts arise in the production and disposal whereas a fridge or freezer, which uses electricity, has impacts all the way through its life.

## 8. Whole Life Costs

A life cycle analysis takes into account the total cost of a purchase, not just the immediate price. It takes the following factors into consideration: -

Factors	Examples
Direct running costs	Energy, water and other resources used over the lifetime of the product/service.
Indirect costs	Less energy efficient IT equipment will produce more heat causing units in air conditioned buildings to work harder, thus increasing the electricity bill.
Administration costs	Overheads from purchases requiring special handling and disposal (i.e. pesticides and cleaning products).
Spending to save	Buying more durable or energy efficient products which may initially be more expensive but results in long-term savings.
Training	Time, money and effort spent training staff to operate products if they are not user friendly.
Recycling capabilities	Purchasers can create markets for their own waste by buying products containing recycled materials (i.e. paper, remanufactured toner cartridges etc).
Specifying refurbished products	Purchasers can buy refurbished products / parts rather than insisting on new items.
Cost of disposal	It may be worthwhile to pay a premium to a supplier to remove the product or hazardous substance at the end of its life.
Disposal options	<p><b>Reduce</b> - Only buy when absolutely necessary</p> <p><b>Re-use</b> - Have systems in place whereby items such as furniture, equipment and other office related goods can be re-allocated within the Trust, instead of being discarded.</p> <p><b>Recycle</b> - Specify to suppliers that they should operate a system to take back any packaging and unwanted/spent items which can be recycled or re-used.</p>

## 9. Review

This document will be reviewed annually, as a minimum, to ensure that it is dealing with the issues that it is designed to address