

Committee(s): Policy and Resources Procurement Sub Committee	Dated: 18 November 2021 25 November 2021
Subject: Environmental Sustainability in Procurement	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	2, 5, 6, 11, 12
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Emma Moore, Chief Operating Officer	For Information
Report author: Lisa Moore, Responsible Procurement Manager	

Summary

This paper acts as the first official update on the Purchased Goods and Services action plan under the Climate Action Strategy for Procurement Sub Committee and as a paper on Sustainability in Procurement for Policy & Resources committee.

Environmental sustainability has been one of the three pillars of the Responsible Procurement Strategy since 2016. It includes safeguarding air quality, procurement of sustainable materials, promoting the circular economy, minimising energy use, carbon reduction, and minimising waste including elimination of single use plastic.

The Purchased Goods and Services (PGS) project plan of the Climate Action Strategy (CAS), adopted in October 2020, will deepen this work. The project plan will improve supplier's performance in delivering low carbon and sustainable products and services on our contracts. It will introduce a category measurement of supplier emissions to inform engagement, set targets and increase performance management. The project will also focus on embedding low carbon procurement practices and sustainable procurement standards throughout our purchasing decisions.

This paper also highlights the need for discussions on the potential trade-off between cost and sustainability. There is currently no guidance for Officers or Members should that situation arise. Design and materials standards will be brought in through the Climate Action Strategy which may assist, but it is likely that further decision-making matrices or formulas may need to be developed. Whilst any views from Members on how they would like this topic to be discussed in future are welcome at this stage, it is intended that options and proposals will be brought forward in due course.

Recommendation(s)

- Members of both committees are asked to note the report.

Main Report

Background

1. The Responsible Procurement (RP) Strategy was approved in 2016 and was based on the pillars of social value, environmental sustainability and ethical sourcing.
2. Environmental Sustainability includes safeguarding air quality, procurement of sustainable materials, promoting the circular economy, minimising energy use, carbon reduction, and minimising waste including elimination of single use plastic.
3. Key successes for environmental sustainability under the RP strategy include: 100% Renewable Electricity Policy and Sourcing Strategy, the first power purchase agreement in the public sector, Procurement Policy to support the Air Quality Strategy (diesel ban and hybrid/electric taxis), Transition to a Zero emission fleet, Single Use Plastic and Minimising Unnecessary Waste Policy, and Government Buying Standards (low environmental impact criteria developed by Defra) mandatory for all relevant contracts.
4. The carbon footprint exercise that accompanied the development of the CAS, identified PGS as the third largest area for carbon emissions in the City Corporation's Scope 3 measurements (50ktCO₂e/year). Work under the CAS PGS project plan will improve supplier's performance in delivering low carbon and wider sustainable products and services on our contracts. It will also introduce a measurement of supplier emissions by category to inform engagement by category boards, set targets and increase performance management.
5. Initially, the PGS project plan will focus on the top 25 suppliers where we will get the greatest carbon return on effort invested and, to support overall sustainability, update procurement standards to help us reduce carbon emissions quicker than the current Government Buying Standards. The latter will be balanced against other RP commitments to SMEs.

Current Position

6. Officers have met with some of our largest corporate contractors under PG&S and will be attending regular meetings with them. A survey will be issued in October to assess supplier's engagement with climate action and to set next steps.
7. In collaboration with ReLondon and the City of Westminster, we hosted a Meet the Cities event on 30 September. The aim was to encourage partnerships between innovative green SMEs with circular economy solutions and our Tier 1 construction suppliers. Prior to the event a needs assessment was conducted by ReLondon with City Corporation, Westminster and selected Tier 1 contractors to identify innovation challenges. SMEs with solutions that met those challenges were to introduce to our Tier 1 suppliers at the event. We've had very positive feedback from those who attended and 84 connections were made as a result. The SSCM will track progress and report back to Procurement Sub Committee.
8. City Procurement buyers have been given individual training on the rollout of the PG&S plan and standard specification wording to include in contracts going

forward. This will assist with engagement and carbon measurement as we move down our supply chain from the Top 25.

9. The City of London School for Boy's pilot service level agreement (SLA) with procurement includes a commitment to engage with the Responsible Procurement Manager to ensure continued application of the Responsible Procurement Policy. It is expected that similar commitments will be included in SLAs with the other institutions.

Future Changes

10. At this time, we have not identified any areas of spend which are likely to change dramatically or cease in the short term. The initial focus will be engagement with existing suppliers and stakeholder departments.
11. In November/December 2021 we will procure a consultant to identify the top 25 suppliers by carbon intensity and leverage, carbon hotspots, and specific carbon reduction interventions for each category.
12. In effort to support next financial year's carbon foot printing exercise we will be working with our Top 25 to obtain a more accurate carbon footprint to replace the proxy values which were used in the baseline exercise. This will give us a better understanding of our actual emissions and should help us show a reduction in carbon footprint when we implement ways of working that are less carbon intensive.
13. The team working on the PGS project plan will be horizon scanning for innovative lower-carbon/climate-resilient products, materials and equipment especially from UK SMEs and sharing that information with the business and our supply chain.
14. The current KPIs for this project plan include:
 - Number of Top 25 contracts with action plans signed off
 - % of spend with suppliers who have made net zero commitment which are based on Science Based Targets
 - % of spend on contracts with carbon metric integrated
15. Due to delays in the recruitment process, work on this project plan has been impacted. Progress on the PGS KPIs will be included in the next update report.

Issues/Opportunities

16. Work in our client departments supports the environmental sustainability commitments and we continue to work closely with them. Examples include:
 - The Business Performance and Transport team within the Environment Department are in dialogue with some of the top vehicle manufacturers on the market and feedback the City Corporation's low emission requirements.
 - Although the project was paused due to the pandemic, the Remembrancer's department is exploring how they convert the Lord Mayor's Rolls Royce vehicles to fully electric.
 - The Business Improvement Team in the Environment Department is working with our Office Stationery supplier to remove single use plastic items from their

catalogue and update products which are portrayed as environmentally sustainable.

17. In early November, our corporate contract for Print Management is presenting six ways that we can reduce cost on our contract and one area of focus is sustainability.
18. Lower emissions goods such as vehicles are in such high demand that a price premium may need to be paid. City Procurement will monitor such instances and provide any necessary feedback to the Climate Action Director and project team.
19. This raises strategic questions about the appetite for the potential trade-off between cost and sustainability. There are currently mechanisms in the Procurement Code to increase contract values, but there is no guidance for officers or Members to inform how sustainability fits into that decision. Without such guidance, decisions will need to be on a case-by-case basis. Design and materials standards will be brought in through the Climate Action Strategy which may assist but it is likely that further decision-making matrices or formulas may need to be developed. This will be looked at by the Climate Action Team in consultation with relevant officers and Members and, following this, it is suggested that proposals on how the wider conversation can be taken forward most appropriately will be made in due course

Corporate & Strategic Implications

20.

- Strategic implications – Efforts to improve environmental sustainability supports the Corporate Plan, Responsible Business Strategy, RP Policy and CAS. This paper seeks strategic consideration from Members in the event that sustainability and cost become competing priorities.
- Financial implications – City Procurement's efficiency and savings targets have consistently been met even as requirements for responsible procurement outcomes have been continuously strengthened since 2016.
- Resource implications – Additional posts were approved as part of CAS
- Legal implications – The Public Contracts Regulations are considered before implementing any new responsible procurement commitments.
- Risk implications – Delays in recruitment have slowed progress on the project plan but this is not likely to have an impact on achieving the net zero target by 2040.
- Equalities implications – No equalities implications have been identified to date, but City Procurement will continue to monitor and assess.
- Climate implications – The work outlined in this paper is directly supporting CAS
- Security implications – No security implications have been identified.

Conclusion

21. Environmental sustainability is a key pillar of Responsible Procurement at that City Corporation. Support for this agenda will only increase as we progress the PG&S project plan. We will continue to deliver this service to all our client departments and keep Members up to date on our progress.

Lisa Moore, Responsible Procurement Manager, City Procurement

T: 07753317237 E: lisa.moore@cityoflondon.gov.uk