



WALGA Guide to **Sustainable Procurement**



© Western Australian Local Government Association 2017

This work is copyright of the Western Australian Local Government Association (WALGA). All material contained in this work is copyright of WALGA except where a third party source is indicated.

WALGA copyright material is licensed under the Creative Commons Attribution 4.0 Australia License. To view a copy of this license visit <http://creativecommons.org.au>. You are free to copy, communicate and adapt the WALGA copyright material so long as you attribute WALGA in the following manner:

WALGA Guide to Sustainable Procurement (2017)

Western Australian Local Government Association



This guide in its original form, has been printed on Monza. Monza Recycled is Certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Protocol and ISO 14040 framework. Monza Recycled contains 55% recycled fibre (25% post-consumer and 30% pre-consumer) and is FSC® Mix Certified, which ensures that all virgin pulp is derived from responsible sources. It is manufactured by an ISO 14001 certified mill.

CONTENTS

	FOREWORD & INTRODUCTION	5
	Foreword	6
	Who is this Guide relevant to?	7
	Introduction	7
	1. DEFINING SUSTAINABILITY & SUSTAINABLE PROCUREMENT	9
	What is Sustainable Procurement?	11
	Benefits of a Sustainable Procurement Approach	12
	What sustainability impacts do Local Governments have?	12
	How can Local Government contribute to sustainability?	13
	2. APPLYING A SUSTAINABLE PROCUREMENT FRAMEWORK	15
	Fundamentals	17
	Integrating into policy and strategy	17
	Organising the procurement function towards sustainability	19
	Integrating sustainability into the procurement process	22
	Example: Integrating Sustainability into the Supply of Copy Paper	29
	Additional resources	32
	3. SUSTAINABILITY AND VALUE FOR MONEY	34
	What is value for money?	35
	How should 'total cost' be evaluated?	35
	Example: Procurement of a Heavy Fleet item	37
	Other resources	38
	APPENDIX 1 WALGA PREFERRED SUPPLIER SUSTAINABILITY RATING SYSTEM	39
	Evaluating sub-criteria	41
	Icon structure to identify sustainable supplier performance	42
	<i>Environmental Management</i>	42
	<i>Ethical leadership and supply chain practice</i>	42
	<i>Community participation and benefits</i>	43
	<i>Workplace practices</i>	43



LIST OF FIGURES

Figure 1:	Sustainability and the quadruple bottom line	10
Figure 2	Sustainable procurement framework	16
Figure 3	Sustainability considerations in the procurement process	20
Figure 4	Example sustainable impacts and opportunities of a product or service through the life-cycle	24



LIST OF TABLES

Table 1:	Core subjects of sustainability	10
Table 2:	Asking the right questions	14
Table 3:	Sustainability risk assessment heatmap	20
Table 4:	Examples of commonly used eco-labels	28

FOREWORD & Introduction



FOREWORD

The WA Local Government Association (WALGA) is working for Local Government in Western Australia. As the peak industry body, WALGA advocates on behalf of its Members, comprising of WA Local Governments and other affiliated organisations.

WALGA is committed to advancing the vision for Local Government in Western Australia where:

- » Local Governments will be built on good governance, autonomy, local leadership, democracy, community engagement and diversity; and
- » Local Governments will have the capacity to provide economically, socially and environmentally sustainable services and infrastructure that meets the needs of their communities.

The WALGA Guide to Sustainable Procurement is a publicly available document that has been developed by WALGA to assist its Members define an accountability framework in the support of meeting its objectives in enabling sustainable services and infrastructure to be delivered to the community, through effective procurement processes and decision making.

The Guide is to accompany the **WALGA Procurement Toolkit**, which provides practical resources and templates to assist the integration of sustainability into procurement processes that leads to effective decision making. The Toolkit is available to be accessed from the WALGA website by Members that maintain an active subscription to the WALGA Procurement Service.

To find out if your Council is a current WALGA Procurement Services subscriber or arrange access to the WALGA Procurement Toolkit, please contact:

WALGA Procurement Services

P: (08) 9213 2514

E: procurementservices@walga.asn.au

Acknowledgments

WALGA would like to acknowledge and thank the contributors to the development of this Guide and associated resources:

- » City of Canning
- » City of Fremantle
- » City of Greater Geraldton
- » City of Mandurah
- » City of Melville
- » City of Stirling
- » Western Australian Disability Enterprises
- » Morrgul Pty Ltd
- » Aegle Sustainability
- » Eco-Buy

Designed by Westcare Inc. A Western Australian Disability Enterprise

www.westcare.com.au

WHO IS THIS GUIDE RELEVANT TO?

The WALGA Guide to Sustainable Procurement has been developed with the following audience in mind:

Audience	Relevance
Elected Members	<ul style="list-style-type: none"> • Definition of sustainability objectives and procurement strategies • Policy makers – Sustainable Procurement Policy • Make decisions on procurement outcomes
CEO & Executive	<ul style="list-style-type: none"> • Adoption of sustainable procurement strategies • Custodians of the sustainable procurement accountability framework • Key procurement decision makers and recommenders
Governance	<ul style="list-style-type: none"> • Policy custodians • Ensuring alignment of policy to practice • Contributor to the sustainable procurement accountability framework
Operational Managers and Staff	<ul style="list-style-type: none"> • Identify, plan and execute on procurement requirements • Decision makers (on delegation) • Identification and evaluation of sustainable supply options • Ensure sustainable outcomes are met during the performance of the contract. • Monitoring and reporting of performance to sustainability objectives
Procurement Practitioners	<ul style="list-style-type: none"> • Identify relevant procurement strategies and integrate sustainability objectives • Facilitator of procurement and contract management outcomes to ensure sustainability objectives are met
Sustainability Practitioners	<ul style="list-style-type: none"> • Key stakeholder and contributor to procurement decision making to help meet sustainability objectives • Assist in evaluating supplier sustainability credentials • Provide advice in management of sustainable outcomes during the performance of the contract.

INTRODUCTION

Sustainability is at the core of Local Government service delivery. The concept of sustainability and sustainable development has been part of organisational strategy since the 1980's and is now a critical objective for all successful enterprises.

Consumerism now demands that businesses not only offer products and services at the lowest cost, but in consideration of factors that protect the natural environment, the economy and society as a whole. Businesses must therefore demonstrate that its offerings and practices are aligned so as to avoid any negative impacts and promote positive impacts, for the benefit of current and future generations.

Sustainable Procurement is the collective term adopted by businesses worldwide as those practices that bring together the consideration of sustainability outcomes in addition to the commercial value proposition in deciding the most appropriate supply option to select.

Sustainable Procurement incorporates the quadruple bottom line objectives into its decision making, in considering the following impacts:

- » The environmental impact (positive or negative) of the purchase;
- » Economic cost of supply over the life of the purchase;
- » Social and ethical implications of the purchase; and
- » Application of good governance and leadership over its procurement decision making.

Sustainable procurement empowers consumers and organisations to establish appropriate rationale for investing with suppliers that are positively contributing to its key sustainability objectives, and divesting from those that cause detriment. This attribution can have a powerful influence on the way markets operate down the supply chain. In 2015/16 financial year¹, the WA

Local Government sector spent approximately \$1.34billion on goods and services, which represents a key contribution to the state's economy. The sector as a whole, therefore plays a significant role in influencing to what extent any given market invests in the supply of sustainable products and services and adopting sustainable business practices that collectively helps the WA economy in the pursuit of its sustainable development goals.

The spotlight on sustainable procurement has recently come back into focus with the release of ISO20400:2017. This international standard provides practical guidance on embedding sustainable procurement in any organisation at both the strategic and operational level. This guide extends the guidance and tailored specifically for the WA Local Government sector. It is highly encouraged to obtain a copy of the ISO Standard to read in conjunction with this guide.

This guide contains five key sections:

- » Defining Sustainability and Sustainable Procurement
- » Applying a Sustainable Procurement Framework
- » Sustainability and Value for Money
- » WALGA Preferred Supplier Sustainability Rating System
- » Other Resources

The *WALGA Procurement Toolkit* also contains further guidance on applying sustainable procurement into practice. Members that subscribe to the *WALGA Procurement Service* are able to access this resource through the WALGA website.

¹ Source: <http://www.mycouncil.wa.gov.au/Council/CompareAllCouncil> - Expenditure (All Councils)

1. DEFINING SUSTAINABILITY & Sustainable Procurement



DEFINING SUSTAINABILITY AND SUSTAINABLE PROCUREMENT

The most widely recognised definition of sustainable development comes from the Brundtland Report², which is 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. Sustainability is therefore the goal of sustainable development, where balance is achieved between our immediate interest and broader, long-term needs.

Sustainability incorporates economic, environmental, social and governance factors, also known as the 'quadruple bottom line' or QBL. The International Standards Organisation (ISO) has extended these main factors into the following seven 'core subjects' of sustainability:



Figure 1: Sustainability and the Quadruple Bottom Line

Table 1: Core subjects of sustainability

Core subject	Related actions (as adapted from ISO20400)
Human rights	<ul style="list-style-type: none"> • Protection of human rights (in the supply chain) • No forced labour • Avoidance of complicity • Prevention of discrimination of vulnerable groups • Protection of economic, social and cultural rights
Labour practices	<ul style="list-style-type: none"> • Harmonious employment relationships • Favourable conditions of work and social protection • Health and safety • Development and training in the workplace
Environmental management	<ul style="list-style-type: none"> • Prevention of pollution • Sustainable use of resources • Climate change mitigation and adaptation • Protection and restoration of the natural environment • Biodiversity
Far operating practices	<ul style="list-style-type: none"> • Anti-corruption measures • Responsible political involvement • Fair competition • Promoting sustainability in the value chain • Respect for property rights

² 'Our Common Future' - Brundtland Report 1987

Core subject	Related actions (as adapted from ISO20400)
Consumer issues	<ul style="list-style-type: none"> • Fair marketing • Factual and unbiased information • Fair contractual practices • Protecting consumers' health and safety • Sustainable consumption • Consumer service and support • Consumer data protection and privacy • Access to essential services • Education and awareness
Community involvement and development	<ul style="list-style-type: none"> • Respect and participation in cultural, societal and political rights of communities • Education and culture • Employment creation and skills development • Technology development and access • Wealth and income creation • Elimination of negative health impacts • Social investment
Organisational governance	<ul style="list-style-type: none"> • Definition of a Sustainable Procurement policy • Application of principles of sustainable procurement • Awareness of sustainable development actions • Clear decision-making processes and structures • Application of strategy, policy and practice

Achievement in each of these subjects is a responsibility of all individuals and consumers alike in pursuit of its sustainability objectives. For a Local Government, these are typically identified in its Strategic Community Plan and represented in Corporate Business Plans, as a means of aligning Local Government's activities to meet community's expectations.

Corporate social responsibility refers to the demonstration of an organisation's contribution towards sustainable development, through its pursuit and measurement of the impact of its decisions and activities across all core subjects, both within the organisation and management of its supply chain.

WHAT IS SUSTAINABLE PROCUREMENT?

Sustainable procurement is defined by *ISO20400:2017 Sustainable Procurement- Guidance (ISO20400)* as:



Procurement that has the most positive environmental, social and economic impacts possible over the entire life cycle of a product or service.

Sustainable procurement is therefore not just about sourcing environmentally friendly (or 'green') products. It is a decision making enabler that considers the total purchase cost of goods and services across the entire life cycle, which is consciously measured on the positive and negative impacts that the procurement decision will have on the environment, society and the economy, in accordance with a predefined governance framework that enables compliant and ethical business practice. For every purchasing decision made, regardless of value, it is imperative to plan for, evaluate and measure those identified sustainable impacts. Information on how to evaluate sustainable impacts against other value for money objectives in procurement decision making is explained in "Sustainability and value for money" on page 35.

To enable Local Governments to most effectively incorporate sustainability into its procurement decision making, accountability must exist across all aspects of the organisation. Please refer to Section 2: Applying a Sustainable Procurement Framework for further information on applying a suitable accountability framework designed to ensure that sustainable objectives are met. Local Governments are also encouraged to obtain a copy of ISO20400 (available from SAI Global), which offers further explanatory guidance.

BENEFITS OF A SUSTAINABLE PROCUREMENT APPROACH

Local Governments can gain many benefits from adopting sustainable procurement, from direct cost savings to broader reputational improvements (referred to in ISO20400 as 'drivers'). For a Local Government, these may include:

- » Cost savings through energy, water or fuel efficiency of equipment;
- » Access to innovative products and approaches that provide greater benefits;
- » Building a strong local community, including generation of employment and business opportunities;
- » Improved supplier relationships and identification of spend with locally based suppliers;
- » Avoidance of costs and resource demand responding to negative incidents or disruption in the supply chain;
- » Employee engagement in sustainability achievements and demonstrating alignment with values;
- » Meeting ratepayers' expectations and improving reputation with stakeholders

- » Compliance with obligations under the *WA Local Government Act 1995* and other legislative instruments;
- » Improvement of reputation within the marketplace and the community as a whole.

WHAT SUSTAINABILITY IMPACTS DO LOCAL GOVERNMENTS HAVE?

Decisions made by Local Government have a significant influence on the quadruple bottom line, which include:

- » Internal processes and organisational operations can cause energy and resource use, or alternatively act as a positive role model for the wider community.
- » Design of built environments can affect energy use, travel behaviours, community cohesiveness, air quality, waste generated and resource use.
- » Delivery of core services such as waste collection and management of Local Government facilities can contribute to air pollution, health and safety impacts, and resource use, or alternatively contribute positively such as providing training and employment opportunities for disadvantaged people.
- » Management of natural reserves can impact biodiversity, weeds and pests as well as human quality of life and amenity.
- » Purchasing of products, services and works, may cause indirect environmental and social impacts locally such as influencing local employment and environmental pollution, as well as down the supply chain.

Sustainable procurement should therefore be viewed as best practice procurement and should not be viewed as an abstract, idealist goal but as a practical and achievable objective for all Local Governments.

HOW CAN LOCAL GOVERNMENT CONTRIBUTE TO SUSTAINABILITY?

For a Local Government, sustainability is a resilient local community and economy, a healthy environment, strong governance and a financially viable organisation. In working toward sustainability, Local Government should integrate environmental, social and governance considerations into its decision-making processes to ensure the best outcomes for its community whilst ensuring that these decisions make good economic sense. There are several ways that Local Government can integrate sustainability into decision making which include:

- » Taking a long term holistic view in decision making by planning for and helping communities adapt to a resource constrained world, the effects of climate change and changing demographics.
- » Eliminating inequality by providing employment and training opportunities for marginalised groups, working to end disadvantage and poverty especially in indigenous communities, enabling good health and well-being for all, providing equal opportunity and driving inclusiveness of diverse perspectives.
- » Safeguarding the human rights of all members of society. This includes vigilance against labour abuses within local businesses, suppliers and contractors and ensuring impacts to communities are considered in all decision making and in the supply chain.
- » Considering both the seen and unseen environmental impacts of works, services and products and minimising these through the supply chain, including water pollution, air pollution, contribution to climate change, biodiversity / ecosystem health and waste.
- » Leading by example by promoting the responsible use of resources. Excessive consumerism and low resource recovery leads to environmental degradation, social pressures and inequality.
- » Influencing contractors, state and federal authorities towards a more forward-thinking and sustainable approach. Contractors that do not share the same value may hinder the organisation's ability to meet goals and targets.

“ With up to 70% of spending by WA Local Governments attributed to the procurement of goods, works and services from external resources, it is essential to embed the above considerations into these purchasing decisions. The WALGA Procurement Toolkit* provides practical guidance on how to achieve this. ”



* Available from www.walga.com.au by WALGA members who subscribe to WALGA Procurement Services.

Table 2: Asking the right questions

<p>ASKING THE RIGHT QUESTIONS</p> <p>When any activity or decision by a Local Government is undertaken (either by internal or external resources), the following considerations should be made:</p>			
ECONOMIC	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Are our decisions or activities getting the best possible outcomes for rate payers and our bottom line?	Are our decisions or activities causing immediate or long term environmental impacts within the local community or in the supply chain? Is there an opportunity to deliver environmental benefits?	Are we considering the social aspects of our decisions and activities? Do these decisions support our goals of removing disadvantage, inequality, poverty, poor health and repression, and providing employment opportunities and other initiatives that support the local community?	Are we integrating sustainability into existing governance arrangements that is transparent, accountable, ethical and in line with our policies and procedures, the WA <i>Local Government Act 1995</i> , and other legislative instruments?

2. APPLYING A SUSTAINABLE Procurement Framework



APPLYING A SUSTAINABLE PROCUREMENT FRAMEWORK

This section provides an overview of how to implement sustainable procurement within a Local Government, based on the standard ISO 20400:2017 Sustainable Procurement – Guidance (ISO20400). Procurement is an essential way for an organisation to contribute to its sustainability objectives. ISO20400 outlines the fundamental principles of sustainable procurement and provides an understanding of how to:

- » Integrate sustainability into procurement policy and strategy
- » Organise the procurement function towards sustainability
- » Embed sustainability into the procurement decision making process

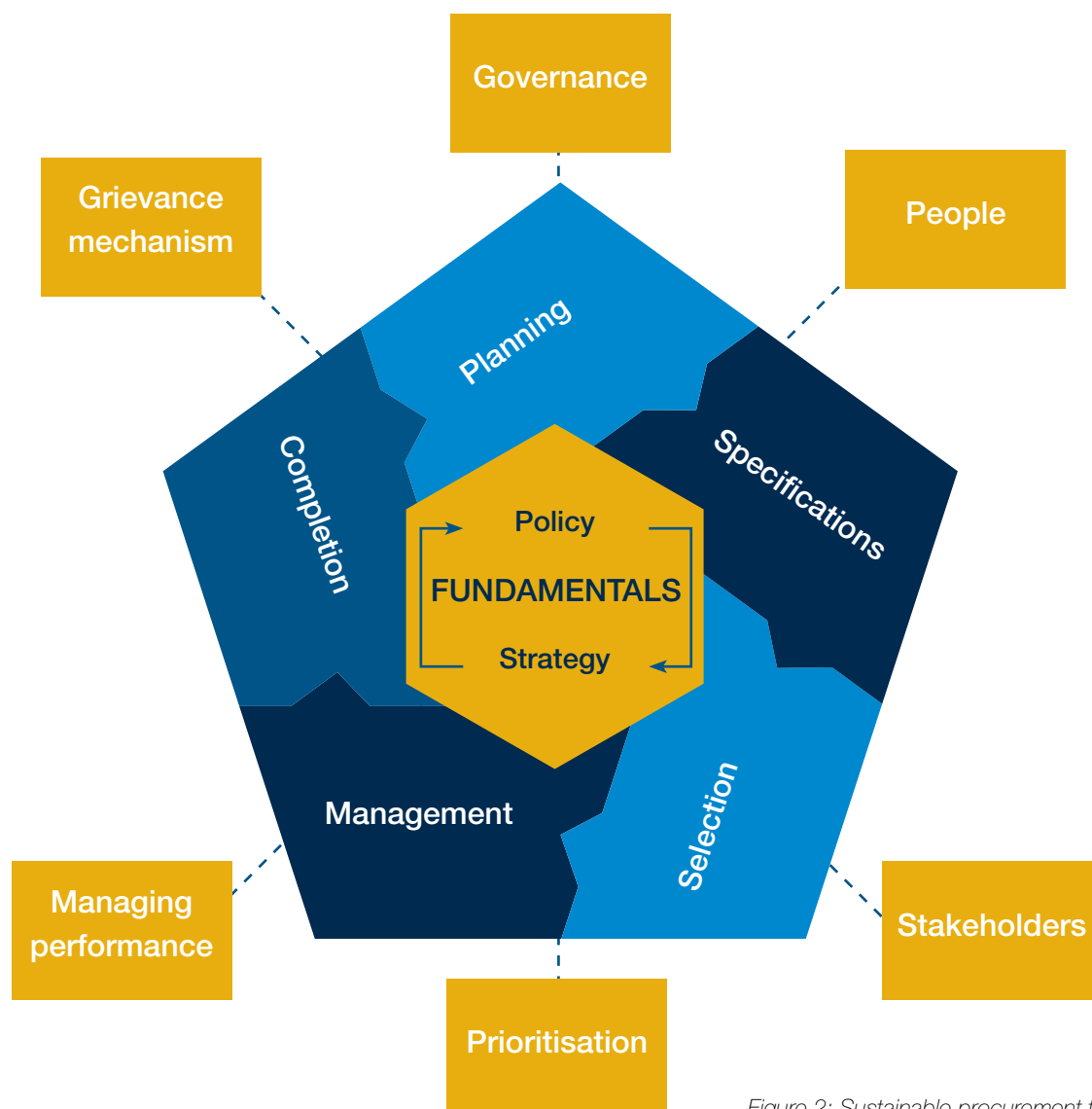


Figure 2: Sustainable procurement framework

FUNDAMENTALS

Section 1.3 (3) of the *WA Local Government Act 1995* (the 'Act') states:



In carrying out its functions a Local Government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.

This statement reflects the Brundtland Report's definition of sustainable development. WA Local Governments are therefore required under the Act to incorporate these objectives into its practices and decisions.

For many Local Governments, key aspects of its services and activities are delivered by contracted parties, from the delivery of front-line services to the community, construction and maintenance of facilities and roads. For Local Governments, this means that much of the contribution of its environmental footprint is in the goods, equipment, and services that it procures. Every purchase has the opportunity to influence local employment and businesses. As such, integrating sustainability considerations into the procurement of these contracts is critical to the achievement of Local Government specific sustainability objectives and goals, as well as to sustainable development in general.

ISO20400 outlines five fundamental considerations for sustainable procurement, which can be boiled down into two key objectives, in a Local Government context:

- » Minimising negative impacts – this involves identifying and prioritising potential economic, environmental, social, or governance impacts and minimising or mitigating these risks wherever possible. It is also important for Local Governments to avoid complicity with impacts associated with the purchase of goods or services by conducting due diligence of the supply chain.
- » Maximising value – Local Government can work towards meeting its sustainability objectives, by embedding economic, environmental, social and governance considerations into the procurement process, which creates better outcomes for Local

Government and/or the broader community. Local Governments can also use their influence through purchasing decisions and supplier relationships to drive more sustainable behaviours and performance in the supply chain.

INTEGRATING INTO POLICY AND STRATEGY

Adopting a sustainable procurement approach is dependent on a solid commitment across all levels of a Local Government hierarchy, with a clear view of how it aligns with the Local Government's strategic objectives.

ISO20400 Sustainable Procurement (ISO20400) provides guidance to this extent on:

Commitment to sustainable procurement:

- » Executive and senior management's visible commitment to sustainable procurement and communication of it as a Local Government mandate is a key driver of successful implementation. If this is not in place, it may remain ineffective policy without being actively factored into decision making activities.
- » Commitment should be clearly documented in organisational policy as an essential principle in the undertaking of procurement activities. A purchasing policy should outline how procurement will align with the Local Governments values and deliver its intentions and objectives, including meeting Section 1.3 (3) of the *WA Local Government Act 1995*, and high-level requirements of staff and suppliers. WALGA's Model Purchasing Policy³ provides example statements of how a Local Government's sustainability objectives can be incorporated into its purchasing policy.

³ Template available in [WALGA Procurement Toolkit](#)

“ Best practice procurement contributes to the Local Government’s defined objectives by ensuring that selection of its suppliers demonstrates ‘best fit’ alignment to these objectives. ”



- » Support a sustainable procurement policy with a strategy that establishes how the intentions will be delivered, including a work plan and key performance indicators (KPIs) to measure whether the Local Government is progressing towards its sustainable targets.

CLARIFYING ACCOUNTABILITY:

- » Responsibility for implementation of the policy and supporting strategy and actions should be clearly assigned.
- » Ultimate responsibility, i.e. that overall objectives and targets are met and risks are managed, should be assigned to the most senior person responsible for the procurement function. In Local Governments where procurement is not centrally managed, this may be the senior budget holder for each department or business unit. Individual procurement staff are responsible for execution, and where possible an individual resource is made responsible for driving sustainability initiatives.

ALIGNING PROCUREMENT WITH ORGANISATIONAL OBJECTIVES AND GOALS:

- » It is essential to identify and articulate how sustainable procurement supports, rather than detracts from, the Local Government’s overall objective setting. Typically, a Local

Government’s Strategic Community Plan identifies objectives such as:

- » Environmentally sustainable outcomes, including maintaining biodiversity;
- » Reducing waste generation and diversion from landfill;
- » Reduce consumption of energy and seeking clean energy sources;
- » Ensuring a diverse and inclusive local economy;
- » A safe and supported community;
- » Access to education and training opportunities; and
- » Good governance, ethics and leadership in all aspects of its business.

UNDERSTANDING PROCUREMENT PRACTICES AND SUPPLY CHAINS

- » Clearly establish how integrating sustainability supports the organisation’s procurement objectives, such as achieving value for money. See “Sustainability and value for money” on page 35 for more detail on how this objective is achieved.
- » Local Governments should also ensure that procurement decisions are not excessively

focused on lowest cost, which may lead to using suppliers that contradicts the sustainability objectives that the Local Government aspires towards. As an example, a Local Government should avoid procuring from the lowest priced supplier, who may be found to engage in, or is supplied from a business that contravenes human rights (such as forced labour).

- » A “Review-and-Approve” approach should be used especially for large purchases to confirm and sign off that sustainability risks and opportunities have been considered and addressed, at the very least in the business case, procurement plan, evaluation plan and contract management plan. Participation by the Local Government’s sustainability and/ or local economic directorates in the review process is essential.

MANAGING IMPLEMENTATION:

- » Implementation of sustainability objectives should be supported with governance, as one of the components of the quadruple bottom line. Stakeholder communication, goal setting and performance measurement are integral implementation strategies which are explored in the following section.
- » Regular review of a Local Government’s sustainable procurement program that maps alignment, measures progress and outlines further opportunities is fundamental to ensuring accountability.

ORGANISING THE PROCUREMENT FUNCTION TOWARDS SUSTAINABILITY

ISO20400 Sustainable Procurement outlines many conditions and management methods that enable and underpin a successful sustainable procurement approach. These are broadly categorised into the following topics:

Governance

- » Assess, where possible, existing governance structures, documented procedures, gateway approvals and templates to identify where sustainability requirements can be integrated.
- » Standard operating procedures (SOPs) should be updated in line with procurement processes as described in the [WALGA Procurement Toolkit](#) and sustainability considerations embedded in any supporting templates, such as the procurement plan template.

People

- » Individuals responsible for implementation of sustainable procurement (e.g. procurement staff, accountable officers, decision makers and contract managers) should be provided training and guidance to understand how to apply sustainable procurement into practices. General awareness training or resources may be provided for a broad range of staff and more targeted instruction for people most influential in the procurement process and decision. Lessons learned along the way should also be captured and communicated.
- » The responsibility of staff with procurement responsibilities, as well as decision makers to implement sustainability requirements should be outlined in policy and practices and effectively communicated. The fulfillment of this responsibility and demonstrating continuing endeavours to identify further opportunities to contribute to sustainable performance can form part of an individual’s annual performance reviews.

Stakeholders

- » ISO20400 notes a number of stakeholders that a Local Government may wish to engage with on sustainable procurement initiatives, including internal environmental and community teams, suppliers, the broader community, trade unions, industry groups, non-governmental organisations (NGOs) and peers.
- » Suppliers are a key stakeholder group, as not only are they impacted by changes to the procurement process and requirements, but a key intended outcome of sustainable procurement is to drive improvements to their performance and approach.

- » General communications on the Local Government's sustainability objectives and policy should be used to increase suppliers' awareness and invite them to offer suggested solutions. This could be done through regular communication to suppliers and included in all invitations to quote and tender.
- » It is also encouraged to attract a more diverse supplier base by engaging directly with suppliers that maximise social benefits, such as Aboriginal-owned businesses, disability enterprises, social enterprises and local businesses wherever possible. The *Local Government Act 1995* provides specific encouragement to contract with Australian Disability Enterprises and Aboriginal Businesses that are registered on the WA Business Directory by permitting a Local Government to enter into a contract without requiring a public invitation of tenders ⁴.
- » Local Government sustainability objectives and achievements should be communicated both internally and to the community. This establishes awareness of sustainability expectations in the procurement process and builds engagement with Council's sustainability initiatives. It is also useful to engage with peers such as through the WALGA Procurement Network to share case studies and lessons learned.

Prioritisation

- » It is important to understand the risk profile of the Local Government's current procurement and supply chain in order to prioritise impacts and opportunities according to categories of procurement.
- » A risk assessment involves identifying risks across the seven core subjects of sustainability (as mentioned in Section 1: Defining Sustainability and Sustainable Procurement) or the Local Government's own sustainability framework and assessing the significance of these risks (e.g. the consequence and likelihood). Opportunities for positive outcomes should also be identified.
- » The risk assessment may be undertaken by considering categories of supplier expenditure by the Local Government, by mapping the organisation's key areas of activity and expenditure, or known upcoming procurement activities for the year. Table 3 below represents a heatmap, to provide a visual example of how the risk assessment can be applied.
- » Based on the risk assessment, mitigation strategies can be identified for key risks and integrated into procurement processes and documents including SOPs, requests to quote and tender templates and risk registers. If categories are used, key categories should be identified that require a particular approach to manage the risk, such as establishing category-specific criteria and conducting risk assessments at the individual procurement level.

CATEGORY	CORRUPTION	HUMAN RIGHTS	HEALTH & SAFETY	CARBON & ENERGY USE	RESOURCE USE	POLLUTION
1	L	M	H	M	M	L
2	M	H	VH	M	H	M
3	L	L	M	H	L	M
4	L	M	M	L	M	L
5	M	VH	H	M	M	VH
6	L	M	L	H	M	L

Table 3: Sustainability Risk Assessment Heatmap

⁴ See Regulation 11(2) of the *Local Government (Functions and General) Regulations 1996* for more detail.

Measuring and Improving Performance

- » To ensure that the Local Government is meeting its sustainable procurement objectives, it may elect to implement a performance measuring system. This may be a combination of process and outcome indicators, e.g. internal progress toward implementation targets and actual sustainability improvements.
- » This performance measurement system should identify metrics that are aligned with key sustainability objectives and are also quantifiable at contract and whole of procurement level. Initially, this may include:
 - Number of procurements (or total \$ value) where a more sustainable option was selected than previously (based on specification) or selection of over less-sustainable products and services (based on evaluation);
 - Carbon reductions (against industry standard or previous contract, focusing primarily on reductions to Local Government's own footprint, but also recognising large reductions in the supply chain);
 - Recycled content procured (% and approximate volume);
 - Reduction volumes of waste to landfill, compared to previous contracts;
 - Spend with local suppliers (categorising as within Council area or wider region); or
 - Spend with Aboriginal-owned businesses or disability enterprises (dollar spend and conversion rate from previous contracts).
- » Performance metrics can be used to track achievement of goals against a baseline and to benchmark with peers across the WA Local Government sector and beyond. Results and performance can be communicated with decision makers and key internal stakeholders.

Grievance Mechanism

- » ISO20400 encourages organisations to establish a mechanism that allows a vulnerable or aggrieved stakeholder to raise concerns, complaints and suggestions to the buying organisation and seek redress.
- » In the Local Government sector, this may be to the extent of nominating a contact at the Local Government (typically a Sustainability Officer or an accountable authority) on its website. Encouragement is given for members of the public to report any issues of concern over contractors' activities that may contribute to negative sustainable impacts. This measure of accountability enables for a record of items to be investigated (for possible redress) and to generate a log of improvements for future contracting requirements.



INTEGRATING SUSTAINABILITY INTO THE PROCUREMENT PROCESS

Once sustainability objectives are defined and accountable measures are taken across the Local Government to ensure that procurement outcomes are aligned to the meeting of the objectives, each individual procurement activity should demonstrate how these objectives are to be integrated into each phase of the procurement life-cycle.

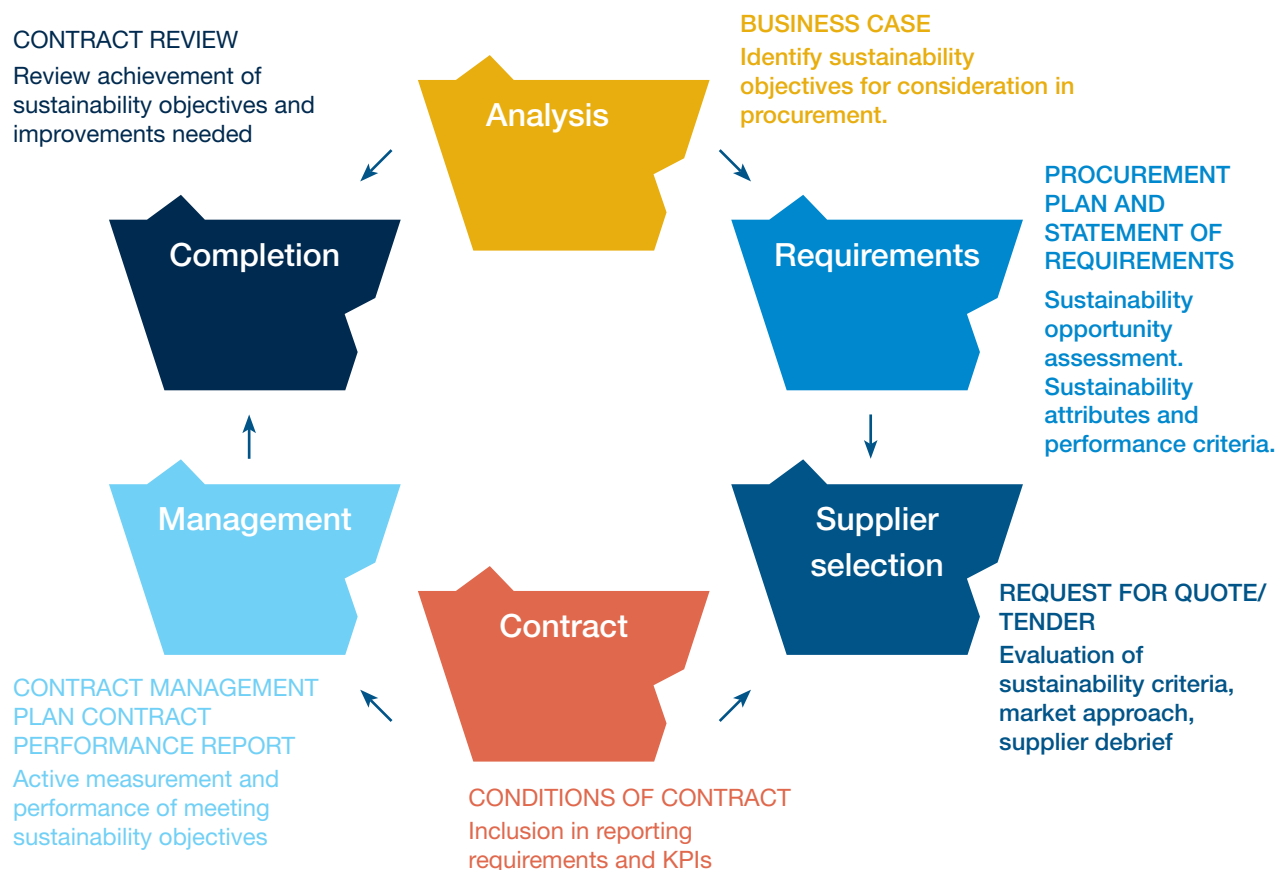


Figure 3: Sustainability considerations in the procurement process illustrates at each phase of the procurement cycle, what activities are undertaken to integrate the meeting of sustainability objectives. It is important to review and align the Local Governments sustainability objectives throughout the process. The [WALGA Procurement Toolkit](#) contains enhanced procurement templates that incorporate such considerations to be applied at each phase.

ANALYSIS

The first opportunity to consider and integrate the Local Government's sustainability objectives into the procurement process is at the analysis stage that helps define and justify the procurement requirement. During this stage, the Local Government's sustainability objectives are identified and relatedness to the procurement requirement outlined. A Local Government's Procurement Business Case⁵ template offers a prompt to identify the sustainability objectives and invites discussion to convey to the approving authority as to whether the procurement requirement presents opportunities for alignment.

⁵ Available in the [WALGA Procurement Toolkit](#)

To provide an example, the business case to undertake procurement for a roads construction project will need to factor in the meeting of:

- » Environmental benefits, such as maximise use of recycled content;
- » Social benefits, such as an increase participation of Aboriginal businesses in contracting;
- » Economic benefits, such as ensuring life-cycle costing is factored into value for money decisions; and
- » Governance, such as ensuring sufficiency transparency and accountability for undertaking the procurement.

Requirements

Once the business case that identifies the relevant sustainability objectives is approved, the next point of integration is to conduct an assessment of what opportunities exist that can be factored into procurement planning and specification development requirements. This process is known as a Sustainable Impact and Opportunities Assessment.

Sustainable Impact and Opportunities Assessment

Every activity within Local Government, whether performed by internal or external resources, must consider the quadruple bottom line, both in terms of opportunities to generate a benefit, as well as diversion from negative impacts. Different activities have different types and levels of impacts and opportunities. Through the decision to purchase a good or a service to meet community needs, Local Government creates demand in the market and therefore contributes to the life-cycle sustainability impacts of a good or service. When considering this, the buyer can realise how the opportunities may exist much beyond the transaction.

A sustainability impact and opportunities assessment is therefore useful to be conducted for major procurement categories and activities to understand where opportunities lie to positively influence the supply chain. Opportunities can be represented as reduction or avoidance (i.e. should be prioritised based on significance, ability to influence, and organisational priorities. A plan of how to address prioritised opportunities is ideally represented in a Procurement Plan. This document outlines how the procurement is to be treated to achieve the objectives (including sustainability) as stated in the **Procurement Business Case**⁶.

A useful way to identify relevant opportunities is to consider the life cycle of a product, from sourcing of raw materials, through manufacture, to use, disposal or recycling, the transport and packaging involved between each step. *Figure 4: Example sustainable opportunities of a product or service through the life-cycle* illustrates common impacts and opportunities at each of the stages of the life-cycle. Services present its own impacts and opportunities, so these are included in the lower right box, though the impact of products used in the delivery of the service should also be considered.

When reviewing the life-cycle of a product or service, it is also useful to consider the seven core subjects of sustainable procurement identified by ISO 20400, to help create a full picture of the impacts and opportunities that may be presented.

Once sustainable impacts and opportunities throughout the life-cycle is considered, the next step is to determine which of those should be addressed through the procurement. It is not expected that every impact caused by a good or service is addressed. That is why it is important to evaluate and prioritise clearly and systematically using a process known as a materiality assessment. There are multiple ways to conduct a materiality assessment.



For more complex procurements, this activity would ideally be performed together with an officer with appropriate expertise and experience in sustainability.

⁶ Template available in [WALGA Procurement Toolkit](#)

Figure 4: Example sustainable impacts and opportunities of a product or service through the life-cycle



The approach to the left provides an example that can be followed to consider the significance, the relevance to Local Government and, as a procurer, your ability to pursue the sustainability impact or opportunity.

WHAT FACTORS DO I CONSIDER WHEN PRIORITISING SUSTAINABILITY IMPACTS AND OPPORTUNITIES?

1. Significance of the potential impact and opportunity

Determine the degree to which the environment, society and economy can benefit from the organisation's activities and decisions, for example:

- » The amount of benefit arising from sourcing a particular good or service, in terms of potential consequence and likelihood;
- » The significance of potential positive outcomes, or diversion from negative outcomes;
- » The possible scenarios that may arise if action is taken / not taken;
- » Stakeholder expectations regarding responsible behaviour and degree of motivation about pursuit of those opportunities presented.

2. Relevance to Local Government

Determine the relevance of the sustainability impact and opportunities to the Local Government by assessing, for example:

- » Linkages with the core activities of the Local Government, such as ensuring that local employment and contracting opportunities are presented that translates a local economic benefit;
- » Relevant legislation, regulations and standards required to be adhered by Local Government, including the *Local Government (Functions and General) Regulations*

1996, Local Government (Administration) Regulations 1996 and Occupational Safety & Health Act 1984.

- » Alignment with organisational objectives and commitments, such as those established in the Strategic Community Plan and Corporate Business Plan, or public reporting and commitments.

Note: This can also support transparency and justify supplier requirements.

3. Ability to influence

Determine the difference that can be achieved by focusing evaluation criteria on the identified sustainability opportunities, for example:

- » Whether attributes or approaches that maximise opportunities to achieve sustainable objectives are readily available in the market;
- » The effort needed to achieve the intended result;
- » Capacity to influence suppliers to adopt more sustainable practices or product attributes;
- » Ability to measure the benefit.

To inform your evaluation of the sustainability impacts and opportunities, it may be useful to consult with stakeholders who can provide knowledge from different perspectives, including:

- » Technical experts who have a deep knowledge of how the good or service is manufactured, processed and delivered;
- » Sustainability experts who can provide technical advice on matters on sustainability relative to the Local Government;
- » Advisory and industry bodies;
- » WALGA staff who provide guidance and resources;
- » Users with knowledge on how the good or service will be used by the Local Government.

REQUIREMENTS

Requirements identified above, are then captured in the Procurement Plan, by identifying what elements of the procurement process and ultimately the contract is required to ensure that the stated sustainability objectives are met. Sustainability attributes are listed and minimum performance criteria or standards are prescribed in the planning document, with appropriate treatment options identified to ensure that the contract performed meets those standards.

A **Statement of Requirements**⁷ (including the specification) is then developed to communicate the objective or need when approaching the market to invite quotes and tenders. The Statement of Requirements should ideally convey the sustainability objectives and attributes of the Local Government that the supplier will be expected to meet.

SUPPLIER SELECTION AND CONTRACT

The invitation to submit quotes or tenders should present the evaluation criteria to form the basis of selection. The **Evaluation Plan**⁸ is the pre-eminent document that outlines the overall evaluation strategy, including identifying of selection criteria, of which the meeting of sustainability attributes and standards represented in the Procurement Plan is formed.

Evaluation criteria can be prescribed as either compliance or qualitative criteria, along with the price assessment methodologies that is designed to inform the life-cycle costing assessment. "Sustainability and value for money" on page 35 describes in more detail how evaluation criteria and life-cycle costing assessments contributes to the overall value for money assessment.

How do I decide a weighting for sustainability criteria?

When sustainability opportunities are defined as high priority for a procurement category or requirement, these should be weighted more favourably against other qualitative factors to ensure due consideration in the procurement decision.

For example, a purchase with a significant opportunity to build economic development through local employment and contracting, a high (15-20%) weighting can be assigned for related considerations in the evaluation approach. Meanwhile, a procurement that has less opportunity for influence, such as office-based consulting services, may assign a lower (5%) weighting on sustainability considerations.

Generally speaking, however, a Local Government must ensure that sustainability remains a key criteria to evaluate in all quotes and tenders and be a significant enough factor to inform selection and balanced against other value outcomes, rather than treated separate to the value for money determination. Further guidance is available in the WALGA Procurement Toolkit, with examples of evaluation criteria based on different procurement categories.

How do I identify suppliers that demonstrate a sustainable benefit?

Conducting market research to target suppliers to invite to quote that engage in sustainable business practices greatly contributes to the generation of sustainable outcomes. In a public tender process however, targeted selection is prohibited. The effort taken to undertake a public procurement process may be deemed inefficient, when internal resources are diverted to a more time consuming and costly process that may not be considered a sustainable use of internal resources. Creating panels of pre-qualified suppliers, where suppliers are pre-qualified (amongst other things) on the basis of demonstrating minimum sustainability standards is essential to generate efficiencies in procurement that lead to better sustainable outcomes.

To assist Members to identify and procure from WALGA preferred suppliers that demonstrate superior sustainable benefits, WALGA is introducing a Preferred Supplier Sustainability Rating System (during the 2017/18 financial year) that is designed to assess a supplier's sustainability credentials and assigns a suitable rating where good or leading performance is demonstrated. These ratings will be published

⁷ Template available in the [WALGA Procurement Toolkit](#)

⁸ Template available in the [WALGA Procurement Toolkit](#)

on the WALGA Preferred Supplier Directory (on the WALGA website) and on eQuotes supplier profiles, so that Members have a greater informed choice when inviting to quote or directly contracting with a WALGA Preferred Supplier that demonstrate sustainable benefits. More information is available in *Appendix 1: WALGA Preferred Supplier Sustainability Rating System*.

How do I evaluate sustainability in tenderer responses?

Assuming clear specifications have been established based on the most material issues identified in the sustainability opportunities assessment and understanding of what is available in the market, the specifications should guide the evaluation approach.

Whenever minimum standards are stated, this can inform compliance based criteria that the supplier must demonstrate in order for its offer to be considered further in the evaluation process. This baseline analysis ensures that offers that do not meet the minimum requirements set are simply not able to be selected. When

establishing compliance criteria, ensure that evidence is provided to determine certainty in compliance and that those standards are entirely essential to be met.

A method of verification against industry recognised standards is to refer to trusted certifications, standards and eco-labels. Reputable eco-labels are awarded by an independent third-party using a verification system that is based on life-cycle considerations. Eco-label programs are run by different organisations, such as government, private companies and non-governmental organisations.

It is important to keep in mind that eco-labels may only address one environmental or social impact, such as energy (for example, Energy Star) or ethical sourcing (for example, FairTrade), Good Environmental Choice Australia (GECA) and Global GreenTag eco-labels, however, typically address the material impacts for each type of product. Eco-labels may be used in the evaluation process to support the assessment of sustainability criteria against an industry standard.



EPEAT – An environmental rating for computers and other electronic equipment. It considers reductions in environmental impact across the life cycle of equipment—from fewer toxins in manufacturing to efficient operation and easier recycling.



Global GreenTag - Third party rating and certification system of green building and other products, underpinned by a scientific Life Cycle Assessment (LCA) approach.



Good Environmental Choice Australia (GECA) – Australian eco labelling program that sets best practice standards for environmental performance and certifies a wide range of products.



Green Star – An environmental rating system managed by the Green Building Council of Australia for buildings including commercial offices, retail centres, educational institutions, multi-unit residential dwellings, industrial facilities and public buildings.



Forest Stewardship Council (FSC) – An international not-for-profit focused on improving forestry practices. The FSC trademarks offer a guarantee that products come from responsible sources that support the conservation of forests and wildlife.



Fairtrade – Fairtrade is about stable prices, decent working conditions and the empowerment of farmers and workers around the world. The Fairtrade certification system requires products to meet the social, economic, and environmental standards set by Fairtrade International.



Rainforest Alliance – An international non-profit organisation focused on conserving biodiversity and ensuring sustainable livelihoods. Develops third-party certification, validation and verification systems in forestry, agriculture, carbon and tourism.



Water Rating – Australia/NZ rating system to compare appliances based on their water efficiency using stars. The rating is managed alongside the mandatory Water Efficiency Labelling and Standards (WELS) Scheme.

Table 4: Examples of commonly used eco-labels

Some examples of trusted and commonly used ecolabels are provided in *Table 4: Examples of Commonly Used Eco-Labels*.

Qualitative criteria, enables a values based evaluation, over and above the minimum attributes or standards requiring to be met by the supplier. Qualitative criteria may be used to measure those qualitative aspects of the offer, both in terms of the product offered to supply and of the supplier's services and business practices in general. Qualitative criteria relating to sustainable performance should therefore be built into the evaluation approach and expressed as a weighted percentage against all other qualitative factors under consideration. This approach ensures that sustainability contributes towards the value for money assessment, rather than an additional consideration. An offer may not be selected solely on the basis of its sustainability performance, or its relative experience, or availability of resources, or price, but a combination of all factors based on weighted importance.

What is the difference between supplier versus product (or service-specific) criteria?

Supplier criteria typically ask about how the supplier manages environmental and social impacts associated with its operations, which are typically addressed through policies and systems. For example:

- » Energy and water used, waste produced – may be addressed through an environmental management system (EMS) in line with ISO 14001 Environmental Management Systems
- » Occupational health and safety – minimisation of health and safety hazards for staff and customers through a health and safety management system (HSMS) in line with AS/

NZS 4801 Occupational Health and Safety Management Systems

- » Human rights and labour practices – such as a commitment to the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work
- » Ethical business practices – such as policies against corruption and employee codes of conduct.



CONTRACT MANAGEMENT AND REVIEW

The Contract that is formed between Local Government and supplier should stipulate some performance measures that ensures that the supplier meets the intended sustainability goals that assist in the meeting of the Local Government's sustainability objectives. Most often, key performance indicators (KPIs) are the primary tool used to measure performance. As with any contract KPI, sustainability criteria require monitoring through the life of the contract and identification of opportunities to improve performance over the contract lifetime. The Contract Management Plan would identify the KPI targets that have been agreed by both parties and the method of collection or verification of information that informs whether targets have been met. Contractor Performance Reports are completed on a cyclical basis to ensure that ongoing measurement of supplier performance is undertaken, in line with commitments made in the contract management plan.

Suppliers who do not score highly on sustainability (but were still awarded the contract on the strength of other value factors) may be encouraged to adopt sustainability commitments on signing of the contract. Commitments could include implementation of a policy or certification by a certain date or reporting on progress against an agreed action plan. Any key commitments can also be embedded in reporting requirements in the contract, such as local employment provided or carbon footprint of services provided on behalf of Local Government.

Good procurement practice suggests that on completion of the contract term and also at the completion of the final contract term, a Contract Review process is initiated to determine to what extent the contract met its original objectives and if any learnings can be applied to improve future procurements. In terms of sustainability, this process can be used to record and analyse extent of meeting sustainability objectives and provide insight on why objectives were met or not. Such measures may contribute to overall performance measures that the Local Government rolls up and reports on.

Example: Integrating Sustainability into the Supply of Copy Paper

To provide an illustration of how to integrate sustainability into procurement practice, a simple procurement example for the supply of copy paper is outlined as follows.

Analysis:

The Shire of Westralia has a requirement for supply of copy paper for the next three years. The current supply contract supplies non-recycled, imported paper at the cheapest price in the market.

For the next supply contract, the Shire has decided to take a more sustainable approach to its procurement and conducted a sustainability impact and opportunities assessment, which identified several impacts and assessed these based on considerations of significance, relevance and ability to influence. The following impacts were prioritised and categorised as follows:

- » Raw materials – deforestation – copy paper can contain fibre sourced from unsustainably managed or high conservation value forest operations. Fibre sourcing is often the focus of activist campaigns and can affect organisational reputation.
- » Manufacturing – toxicity of emissions related to hazardous materials – environmental impacts arise from the use of bleaching agents
- » End of life – if sent to landfill, paper contributes to demand for landfill space and conversion of land to landfill. Landfills also may cause leachate contamination of surrounding groundwater and also generate the greenhouse gas methane.

Examples of other sustainability impacts that were identified but not prioritised were:

- » Transport along the supply chain – emissions to air – the emissions from transport are a relatively small contributor to the overall footprint due to efficiency in large volumes transported. Also there are limited options to further reduce emissions from transport.

- » Packaging of the paper – can contain fibre from unsustainably managed forest operations and not be recyclable due to plastic layer. The severity of this impact is less, and there is also less influence regarding the choice of packaging energy consumption used in the manufacturing process – emissions to air. Much of the emissions in the paper industry have already been reduced through efficiency improvements and the use of biomass energy in manufacture by recycling wood by-products into fuel. As such, the environmental impacts of pollution and deforestation are considered more material.

A note on Carbon Neutral certification:

Carbon Neutral certification relates to the energy consumption during the manufacturing process of paper. While this is not one of the most material impacts identified, minimisation of greenhouse gas emissions is always preferable. Many organisations have made commitments to reduce the carbon footprint of their purchases. If you are looking for a carbon neutral paper, ensure that it is supported by a recognised certification (e.g. the National Carbon Offset Standard) and that the procurement process also addresses the most material sustainability requirements outlined in the example.

Requirements

Based on the key sustainability impacts and opportunities described during the Analysis phase, the following requirements have been identified:

Deforestation

- » Use paper with the highest percentage of post-consumer recycled content possible, preferably certified to a recycled content standard; or
- » Use paper made from virgin fibre from source certified to either the FSC (Forest Stewardship Scheme) (including FSC Mix) or PEFC (Program for the Endorsement of Forestry Certifications) standards; or
- » Use paper made from a combination of the above certified virgin sources and post-consumer recycled content.

Manufacturing

- » Buy paper bleached using a minimum of chlorine. Recycled content paper should be Processed Chlorine Free. Papers made from virgin fibre should use either Elemental Chlorine Free (ECF), ECF Light or Totally Chlorine Free (TCF).

End of life:

- » Buy post-consumer recycled content paper, which creates demand for waste product and diverts recyclable materials from landfill.
- » Address, through internal practices at your Local Government rather than the procurement process. For example, set double sided printing as default. Consider using pin numbers or other technology so that print jobs will only be released when staff punch in a code or swipe their card to reduce the amount of paper going to waste and improve document security.

Supplier Selection

When considering supply options, a WALGA Preferred Supplier Arrangement exists as the most efficient procurement method to access copy paper suppliers that can meet the requirement.

The criteria to help evaluate product suitability can be applied, based on the requirements and may state the following:

Deforestation - the paper must:

- » contain a high percentage of post-consumer recycled fibre. A minimum of 50% for printing and writing papers; OR
- » be made from virgin fibre from source certified to either FSC (including FSC Mix) or PEFC standard; OR
- » be made from a combination of the above certified sources and post-consumer recycled content.

Toxicity of Emissions

- » The paper must be bleached using a minimum of chlorine
- » Recycled content paper should be Processed Chlorine Free
- » Virgin fibre should use either Elemental Chlorine Free (ECF), ECF Light or Totally Chlorine Free (TCF)

Emissions to Air and Water

- » The paper must be manufactured in a facility with an appropriate environmental management system (EMS) that specifically addresses the use of water and generation of wastes and pollutants
- » A contract must be in place with a registered hazardous waste contractor for the environmentally responsible disposal of any hazardous waste produced during the production process.

Note: Landfill, as a material end of life impact, is not addressed through the procurement process, as it is a behavioural aspect that can be addressed through staff engagement programs at the Local Government. That said, remember that buying recycled content diverts waste from landfill and is sent to be made into new products. This is very important in order to generate demand for recycled content products in the market.

Criteria to evaluate the supplier's sustainable performance may be formed to address the following impacts:

- » Energy and water used, waste produced – may be addressed through an environmental management system (EMS) in line with ISO 14001 Environmental Management Systems
- » Occupational health and safety – minimisation of health and safety hazards for staff and customers through a health and safety management system (HSMS) in line with AS/NZS 4801 Occupational Health and Safety Management Systems
- » Ethical business practices – such as policies against corruption and employee codes of conduct.

- » Supply chain management – ensuring counteractive measures in the supply chain to limit effects of deforestation and contribution to local economic development.

Verification that will be required to demonstrate that the supplier meets the criteria may be supported by relevant eco-label on its products.

While supply of copy paper may be considered a relatively low cost procurement activity, there are significant reputational risks associated with buying non-recycled paper. It is therefore prudent to weight the sustainability criteria proportionately against other value factors.

Contract Management and Review

The Contract Management Plan should stipulate that deliveries will be regularly inspected by the ordering officer to ensure acceptance of delivery of goods meets the product standard on every occasion and that fully recycled packaging is continued to be used. A contract condition was stated whereby the Shire will have a zero tolerance approach, whereby goods received that do not contain the FSC eco-label may be rejected and resupplied at the suppliers cost, or the Local Government may source elsewhere and any increase in cost will be borne by the contracted paper supplier. The Local Government may request an independent audit of the supplier at intervals to ensure that it is consistently meeting its sustainability obligations through the contract. Performance measures may relate to reduced usage, carbon footprint reduction, recycle rates, safety standards and ongoing protection of workers' rights.

While the paper itself may be FSC certified, packaging and transportation may not meet the Local Government's requirements. An additional condition may be negotiated into the contract whereby the supplier will put in place rectification measures in order to meet such requirements within the first six months of the contract, with sanctions to be applied for failing to meet targets.

ADDITIONAL RESOURCES

The following resources provide information on which product/service attributes should be considered, and are helpful for undertaking supplier analysis and research on what is available in the marketplace.

WALGA Procurement Toolkit – procurement category guides

For assistance with identifying and understanding the material sustainability impacts to address, you can refer to the WALGA Procurement Toolkit for specific examples across the following procurement categories:

- » Supply of Goods
- » Provision of Services
- » Consultancy Services
- » ICT Services
- » Provision of Construction Works

Each category details how sustainability objectives are integrated into the procurement process, including an example sustainability impact assessment, specification development, evaluation criteria and KPI measures.

Other on-line resources available to compare products:

- » USA Environmental Protection Authority – recycled content tool – evaluate the greenhouse gas benefits associated with increasing the recycled content of materials purchased
www3.epa.gov/warm/ReCon_Online.html
- » Compare energy efficiency of HVAC systems – Calculating Tool – managed by Sustainability Victoria on behalf of the Council of Australian Government Commercial Buildings Committee with joint funding from the Commonwealth, States and Territories
www.calculatingcool.com.au
- » Australian Government Energy Rating Calculator - compare running costs of appliances for energy consumption
www.energyrating.gov.au/calculator

- » World Wildlife Fund – compare the ecological footprint of your pulp or paper products and identify areas for continual improvement

www.checkyourpaper.panda.org/selfcheck

Supporting Product Stewardship

According to the Australian Government, Department of the Environment and Energy, product stewardship is:

“an approach to managing the impacts of different products and materials. It acknowledges that those involved in producing, selling, using and disposing of products have a shared responsibility to ensure that those products or materials are managed in a way that reduces their impact, throughout their life-cycle, on the environment and on human health and safety”

There are a range of National Product Stewardship Schemes, some co-regulatory others voluntary. In procurement, it is worthwhile establishing if the supplier is a member of a relevant Product Stewardship Scheme. Some schemes include:

- » Australian Packaging Covenant
www.packagingcovenant.org.au
- » Fluorocycle
www.fluorocycle.org.au
- » Paintback
paintback.com.au
- » Mobile Muster
www.mobilemuster.com.au/recycle-a-mobile
- » Tyre Stewardship Australia
www.tyrestewardship.org.au
- » TV and Computer Recycling Scheme
www.environment.gov.au/protection/national-waste-policy/television-and-computer-recycling-scheme

How can I incorporate diverse suppliers into my approach to the market?

Engaging diverse suppliers, such as minority owned and social enterprises, can generate social benefits beyond the products or services required and provides access to innovation and more responsive service providers.

Note that if the Local Government is looking to enter into contracts for the provision of goods or services above the tender threshold, it may do so without the need to publicly invite tenders⁹ if the contract entered into is with an Australian Disability Enterprise (see: www.wade.org.au).

Similarly, the Local Government is not required to publicly invite tenders if it enters into a contract for the provision of goods or services with a person listed on the Aboriginal Business Directory (see: www.abdwa.com.au), for contract values up to \$250,000 and where the Local Government is satisfied that the contract represents value for money.

While these regulations relate to the exemption to publicly invite tenders, the Local Government may similarly prescribe (at its discretion) how it intends to engage with diverse suppliers for contract values below the tender threshold, by prescription in its Purchasing Policy. WALGA's *Model Purchasing Policy* contains suggested policy statements on the treatment of diverse suppliers that derive a social benefit.

Local Governments can also achieve diversity outcomes through its supply base, for example requiring suppliers to increase employment of minority groups or procurement from minority owned or social enterprises. Consider setting requirements or targets in the contract, for example the supplier will:

- » Employ 'x' FTE(s) from people who experience barriers to employment (e.g. people with a disability, people from Aboriginal or Indigenous backgrounds) for the contract duration. This could include trainees and apprentices
- » Award a minimum of 'x%' (e.g. 15%) of the contract value (or a minimum number of contracts, e.g. 3) to Aboriginal or Indigenous businesses / Australian Disability Enterprises / social enterprises through subcontracting.

With particular reference to encouraging greater participation with Aboriginal people and businesses, the Government of Western Australia Regional Services Reform Unit has released an Aboriginal Regional Employment Package, which prescribes targets for regional state government authorities to increase employment and contracting opportunities with Aboriginal people and businesses.



Whilst WA Local Governments are not bound to achieve and report on targets set out in the strategy, it is highly encouraged for regional Local Governments to align its activities to progress towards these targets.

⁹ S11(2)(h)(i) of the *Local Government (Functions & General) Regulations 1996*

3. SUSTAINABILITY AND Value for Money



SUSTAINABILITY AND VALUE FOR MONEY

“ Achieving value for money through procurement is a primary requirement of most Local Governments’ Purchasing Policies. It should be noted that the price of a good or service is not the sole determining factor in assessing value for money.”



This section outlines how sustainability forms part of achieving value for money outcomes, rather than considering it a deterrent or a supplementary consideration.

WHAT IS VALUE FOR MONEY?

Value for money is an overarching principle governing procurement activity which allows the best possible outcome to be achieved for Local Government. It can be defined as “the consideration of the total benefit derived from a good or a service against its total cost.” Both parts of this equation will be explored further in this section.

Compliance with the specification requirement is more important than obtaining the lowest price, particularly considering user requirements, quality standards, sustainability impacts, life cycle costing and service benchmarks.

Procurement decisions that are solely based on lowest price may put the Local Government at risk of entering into contracts with suppliers that:

- » May not meet required service or quality standards;
- » Reduce the capacity of the Local Government to meet its sustainability objectives (such as local economic development targets, or reduction of carbon footprint);
- » Expose the Local Government to reputational loss (which can be significant); and

- » Ultimately may cost the Local Government more by the time the contract is completed.

“ But doesn’t sustainability cost more? ”

There is a view that adopting sustainable goods and services simply costs more, which cumulatively can directly impact the financial bottom line by driving up cost of the supply. The procurement therefore must consider sustainability *as a factor* of the value for money determination and not a separate consideration. All other considerations that determine value for money also factor into the assessment, by weighing up what the Local Government is willing to accept, at its total cost.

To provide an example, the Local Government should not be motivated to select the lowest priced Waste Truck, which happens to perform poorest in terms of fuel economy and emissions, requires more regular servicing and parts cost more than other options and ultimately costing more over the life of the asset.

Another example could be to actively divert awarding a contract with a supplier that is able to supply at a cheaper price because its supply chain engages in forced labour practices, which drives down its sale price.

Alternatively, a Local Government may factor in local economic development as a key

objective and may incentivise the selection of local suppliers that utilise local supply options, even if its price is marginally higher than a non-local option. Incentives may include using weighted selection criteria and cost modelling to determine the extent of local economic benefit or contribution. Local Governments outside the metropolitan area may also apply a Regional Price Preference¹⁰, provided that it has a policy that enables the Local Government to do so.

HOW SHOULD 'TOTAL COST' BE CALCULATED?

The cost of a good or service, should, at minimum include the total cost of ownership (TCO) to the Local Government through the life of the product or service, including the following factors:

- » Purchase price and all associated costs including delivery, installation and insurance;
- » Operating costs, including energy, fuel and water use, spares, maintenance and training;
- » End-of-life costs, including decommissioning, removal, remediation and disposal.

The international standard ISO 20400 Sustainable Procurement – Guidance (ISO20400) encourages organisations to extend cost considerations to life cycle costs (LCC) of goods, which may have sustainable impacts and opportunities during:

- » raw material extraction;
- » manufacture;
- » transport and packaging; and
- » disposal.

In addition, services may have their own sustainability impacts opportunities over the life of a contract such as employment, training, safety, bribery and corruption.

Please refer to the [WALGA Procurement Toolkit](#) for specific examples of life cycle impacts and opportunities of typical procurement categories that exist in the Local Government sector.

ISO20400 (Figure 6) specifically recommends consideration of positive or negative externalities that can be monetised for Local Government, such as costs associated with risk mitigation or incident response and opportunity benefit realisation. This calculation is different for every purchase and can be difficult to define, so it may be practical to limit its use to very large or high-risk purchases and works. For high risk and value procurement, it may be worthwhile engaging a sustainability advisor to assist in identifying the monetised and non-monetised externalities that may be associated.

The [WALGA Procurement Toolkit](#) contains a template Life-cycle Assessment Workbook that can be used to evaluate life-cycle costing components of offers. This template enables the evaluator to input bid prices to compare against other whole of life costs and also consider those non-monetised externalities as part of the overall assessment.

“ How do I evaluate value for money? ”

Costs and the benefits should be evaluated against each other to identify and select the option that provides best overall value for money. Indirect costs and benefits to the Local Government, such as the environment and society should be factored into this evaluation through evaluation criteria and should not be an additional consideration at the end of the process.

Through the quote or tender process, the evaluation of value for money is typically determined by:

- » Determination of offers that meet basic compliance requirements or minimum acceptable standards, through application and assessment of Compliance criteria;
- » Scoring of compliant offers based on level of benefit over and above the minimum prescribed standards, through application and weighting of Qualitative criteria;

¹⁰ See Part 4A – Local Government (Functions and General) Regulations 1996

- » Assessing and comparing life-cycle costs of each offer (based on offered price and adding in other ownership and life-cycle costs associated with the purchase); and
- » Making an objective assessment of determining value for money, using a pre-determined formula or approach.

EXAMPLE: PROCUREMENT OF A HEAVY FLEET ITEM

Using a common example to illustrate, we demonstrate how the value for money approach and integrating sustainability into the determination can be applied to the procurement of an item of Heavy Fleet, to replace an existing item of fleet. Note that the structure and content of the value for money consideration should be customised to suit the particular procurement being considered.

To compare options, these costs should be determined for each option, especially where they differ. For example, a more fuel-efficient Heavy Fleet item, not only is more expensive, will also cost more in fuel use over its life. However, it may be of higher quality, requiring less maintenance and lasting longer before requiring replacing, and its resale value may be higher. Alternatively, for equipment that only needs to be used for a period or occasionally, hire of the equipment may be considered as all these costs are generally included in the fee.

The Life-cycle Assessment Workbook can be used to calculate the various costs of ownership over time, and suppliers can be requested to provide the relevant cost estimates in their quote.

In addition to the direct costs, indirect costs and benefits to the organisation, the environment and the community should also be considered and compared.

In this example, these may include:

Safety features of equipment that can reduce likelihood of safety incidents that can cause fatality or serious injury, downtime, and costs from fines and lawsuits (societal impact, organisational cost)

Provision of local or disadvantaged training and employment to provide maintenance and repair of equipment (societal benefit, organisational benefit)

Required downtime for servicing (organisational cost)

Use of a supplier that provides employment within the Local Government area in manufacturing parts, maintenance or operations (societal benefit)

Emissions of greenhouse gas (CO₂) and air pollutants (especially NO_x, particulate matter), contributing to local pollution and global climate change (environmental impacts/costs)

Impacts in manufacture of parts and equipment (emissions, labour abuses) and sourcing of raw materials (land degradation and labour abuses in mining, including conflict minerals) – note these are reduced significantly by hiring equipment or purchasing used over buying new (environmental and societal impacts/costs).

OTHER RESOURCES

The list below may assist in providing further information and guidance in Sustainable Procurement.

RESOURCE	DESCRIPTION	SOURCE
ISO20400 Sustainable Procurement-Guidance	Guidelines for organisations integrating sustainability into procurement strategies, policies and processes	www.iso.org/standard/63026.html
ISO20400 website	A website dedicated to the ISO Standard in Sustainable Procurement	www.iso20400.org
ICLEI – Local Governments for Sustainability Website	The ICLEI website provides a page on sustainable economy and procurement including links to resources and case studies.	www.iclei-europe.org/topics/sustainable-procurement
Sustainable Procurement Platform	A website is managed by ICLEI – Local Governments for sustainability and provides up-to-date news, case studies, events and guidance on sustainable procurement from across the world.	www.sustainable-procurement.org
United Nations Sustainable Consumption and Production Platform	This global sustainable consumption clearinghouse consolidates knowledge on sustainable consumption and products from diverse regions and sectors and connects these stakeholders through a global framework.	www.scpclearinghouse.org
UK Government Flexible Framework	The framework is a self-assessment mechanism that allows organisations to measure and monitor their progress on sustainable procurement over time.	www.gov.uk/government/publications/sustainable-procurement-in-government-guidance-to-the-flexible-framework
Infrastructure Sustainability Council of Australia	ISCA specialise in the facilitation and development of industry led performance based integrated triple-bottom-line governance and reporting frameworks, decision tools and rating tools; generating communities of practise throughout the life-cycle from funding, planning, procurement, design and delivery to operations and maintenance	www.isca.org.au
Good Environmental Choice Australia	A not-for-profit, multi-sector ecolabelling program and member with GENICES recognition from the Global Ecolabelling Network (GEN)	www.new.geca.eco
UN Sustainable Development Goals	A website dedicated to the promotion of the 17 sustainable development goals as identified by the United Nations	www.un.org/sustainabledevelopment/sustainable-development-goals
Eco Specifier	Leading certified and verified sustainable products database, Eco specifier Global has one of the world's most expansive sustainable knowledge bases and global sources of life-cycle-assessed product information	www.ecospecifier.com.au

APPENDIX 1

WALGA Preferred Supplier Sustainability Rating System



APPENDIX 1:

WALGA PREFERRED SUPPLIER SUSTAINABILITY RATING SYSTEM

“WALGA has developed a Preferred Supplier Sustainability Rating System, which is based on an assessment of a supplier's sustainability credentials when determining its overall Corporate Social Responsibility.”



The objective of the rating system is to identify suppliers who demonstrate strong sustainability performance and reporting in comparison to others in the industry.

Where the results of the evaluation derive a 'Good' or 'Leading' rating under any of the sub-criteria, this will be communicated to WALGA Members, so as to offer informed choice when inviting quotes and contracting with preferred suppliers.

The assessment is based on the following four aspects of sustainability, which are represented as sub-criteria:

- » Environmental Management;
- » Community Participation and Benefits;
- » Ethical Leadership and Supply Chain Practices;
- » Workforce Practices

Each aspect will be evaluated as sub-criteria against on a pre-determined scale as shown in the following table.

EVALUATING SUB-CRITERIA

Each sub-criteria will be evaluated against the rating scale shown below. An overall score on Corporate Social Responsibility is then determined against the standard qualitative scoring matrix and converted to a percentage against the relative weight.

The pre-determined scale is as follows:






POOR	EMERGING	GOOD	LEADING
<p>The supplier is not meeting requirements.</p> <p>No information or no policies/commitment in place. Risks/impacts are relevant to the supplier/industry, but are not clearly being managed.</p>	<p>The supplier is meeting basic requirements but there is room to improve.</p> <p>Policies and basic actions are in place but existing controls and management approaches may not be sufficient to manage the level of risk or impact relevant to the supplier/industry.</p> <p>No clear/reported improvement in performance or commitment to do so.</p>	<p>The supplier demonstrates significant improvements over peers.</p> <p>Established policies and management systems in place.</p>	<p>Leading practice and innovative approaches are identified, targets, issues and improvements are reported publicly.</p> <p>Evidence provided for participation in industry initiatives and achievements recognised by third parties (including, certifications and awards).</p>





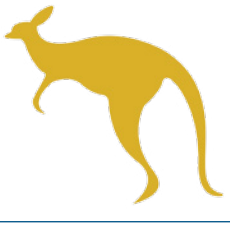


ICON STRUCTURE TO IDENTIFY SUSTAINABLE SUPPLIER PERFORMANCE

Suppliers may demonstrate good or leading performance in one or more aspect, but not all aspects. Suppliers that do not demonstrate good sustainability performance won't be necessarily excluded from the Preferred Supplier Program, however will not be represented in the rating system.



The WALGA Preferred Supplier Sustainability System is expected to be rolled out across the Preferred Supplier Program from late 2017.

ENVIRONMENTAL MANAGEMENT		
	Environmental Certification	Supplier is ISO 14001 certified Environmental Management System, or equivalent industry standard.
	Contains recycled Content	Supplier is GECA certified Products offered by supplier contain at least 30% post- consumer recycled content
	Carbon Neutral	Supplier possesses, or significantly progressing towards carbon neutral certification, issued by Department of the Environment and Energy
	Energy Efficient	Supplier provides products with at least a 4 star energy efficiency rating, and/or actively demonstrates reduction of energy demand in its operations
ETHICAL LEADERSHIP AND SUPPLY CHAIN PRACTICE		
	Ethical Leadership	<p>Supplier is a member of the Ethical Trading Initiative (ETI) or similar organisation, through the promotion and demonstration of ethical business practices both within its organisation and of its supply chain.</p> <p>No breaches of ACCC legislation recorded in the last five years.</p>

COMMUNITY PARTICIPATION AND BENEFITS

	Aboriginal Business	Business is listed on either the WA Aboriginal Business Directory, or an accredited Supply Nation supplier.
	Local Trade Supporter	Supplier is majority owned and/or sources employees and contractors within the region.
	Australian Made/Manufactured	Certification provided of products are Australian manufactured and made and complies with Australian Standards
	Community Benefit Supplier	Supplier demonstrates superior community benefits, such as registration as a social enterprise, or undertaking employment programs for long term unemployed, or demonstrates strong commitments to community engagement.
	Disability Enterprise	Supplier is a registered Australian Disability Enterprise

WORKPLACE PRACTICES

	Employer of Choice	Supplier demonstrates superior workforce management practices that ensures safety and wellbeing and fair work practices.
	Safe Work Methods	Supplier possesses AS/NZS 4801 Occupational Health and Safety Management Systems and has no recorded breaches registered with Worksafe WA in the last five years.



WESTERN AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

ONE70, LV 1, 170 Railway Parade, West Leederville WA 6007

PO Box 1544, West Perth, WA 6872

Telephone: (08) 9213 2000 Fax: (08) 9213 2077 info@walga.asn.au

www.walga.asn.au



WALGA

WORKING FOR LOCAL GOVERNMENT