

**FCO Sustainable Procurement Strategy**

# FCO Sustainable Procurement Strategy

## Foreword

The FCO is committed to supporting the UK Government's ambition to become the greenest government ever. It is therefore important that we continue to adopt sustainable development principles in our thinking and embed responsible business practices in our actions and in the actions of our supply chains.

This strategy sets out how the FCO will deliver sustainable benefits whilst achieving value for money. Sustainable procurement is not just about minimising damage to the environment; it's about achieving this whilst being more efficient with our resources; it's about reducing whole life costs of goods and services. Sustainable procurement should therefore be business as usual and all those involved in procurement, in any way, should familiarise themselves with this strategy and our sustainable procurement guidance material.



*Keith Luck*  
*Director General Finance & FCO Sustainability Champion*

# FCO Sustainable Procurement Strategy

## Purpose of the Strategy

The purpose of this document is to outline the FCO sustainable procurement strategy that sets out our approach to embedding enhanced sustainable procurement practices in our processes and throughout our supply chain. It reinforces and supports the FCO Sustainable Development Action Plan, supports the Greening the FCO Programme and is underpinned by our Sustainable Procurement Policy.

This strategy will support improvement of the FCO performance against sustainable development targets as set out in the UK Government Sustainable Procurement Action Plan (SPAP) and reflected within the Sustainable Procurement Task Force (SPTF) Flexible Framework.

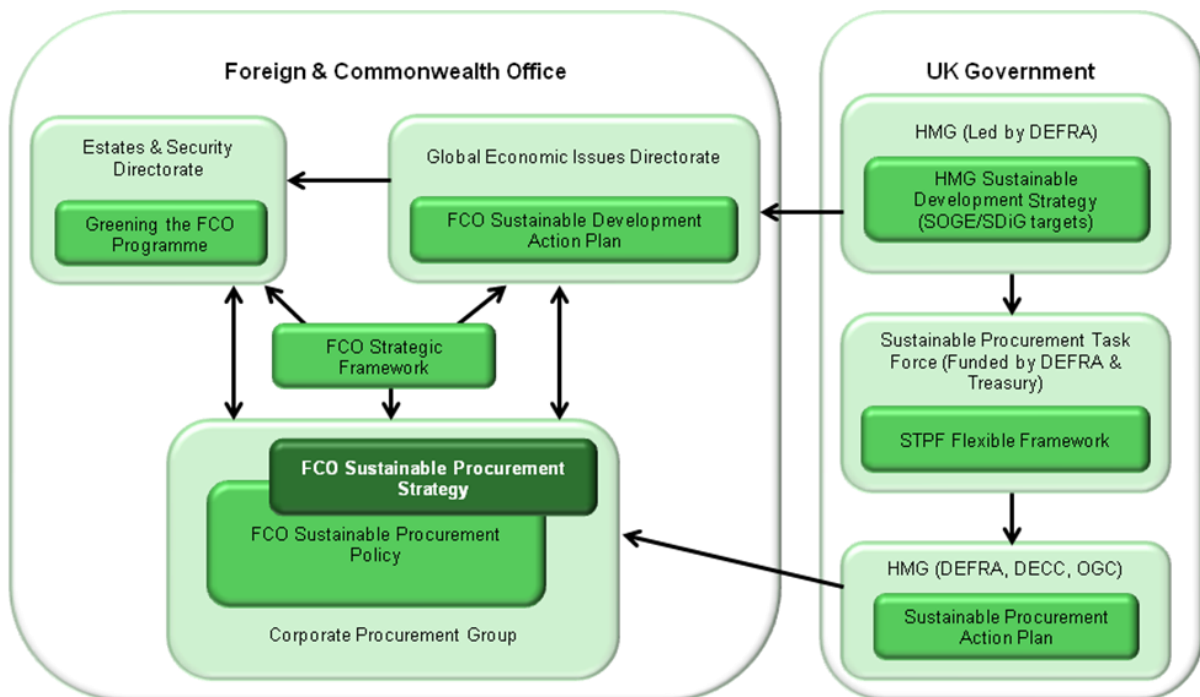


Image 1 - Link between the FCO SDAP, SPAP and FCO Sustainable Procurement Strategy

## FCO Sustainable Procurement Strategy

### What is Sustainable Procurement?

Sustainable Procurement can be defined as, 'a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment'.

Sustainable procurement is not limited to environmental considerations alone (e.g. Carbon, Waste and Water). It also covers social and economic impacts from procurement actions, such as encouraging increased participation from SMEs in procurements. There is a general consensus that small firms can offer better value for money and innovation and therefore public procurement should look to remove barriers that they may face in competing for public sector contracts.

There is a general misconception that sustainability and value for money are in conflict. On the contrary, sustainability is about achieving value for money whilst realising environmental, social and economic objectives and the two are rarely in conflict when the whole life cycle is taken into account. Energy saving light bulbs, for example, may have a higher purchase price however, they are a proven way to reduce bills and – because they have a longer life span than traditional bulbs – they also reduce consumption of raw materials.



### Why is Sustainable Procurement Important?

As set out by the Prime Minister and the Deputy Prime Minister, "Deficit reduction and continuing to ensure economic recovery is the most urgent issue facing Britain." The UK Government is committed to equipping Britain for sustainable economic growth and success and this commitment includes "safeguarding our environment for future generations" and becoming "the greenest government ever".

There is general and global agreement around the fact that climate change presents a threat that goes far beyond the immediate disruption to our environment. The physical effects of climate change, such as sea level rise, droughts, floods and other extreme weather events, will lead to social and economic problems: large scale migration, crop failure, faster and wider spread of diseases, economic volatility, and resource competition. Climate change will accelerate global instability; exacerbate existing tensions around the world. The UK's prosperity and security can only be secured through tackling these issues globally.

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Procurement can be used as a significant mechanism to advance the sustainability agenda. Sustainable procurement is about securing value for money whilst realising environmental, social and economic benefits and therefore becomes a key driver for promoting sustainable global growth and sustainable development commitments. The FCO's ability to meet its commitment to deficit reduction and the environment is therefore directly linked to its ability to procure sustainably.

Escalating energy crises worldwide, for example, require FCO to consider conserving resources and increasing energy efficiency. FCO is required to adapt its procurements so that investment in estates is fit for purpose to support future environmental considerations. For example, the new build British Embassy in Manila, a city affected by the energy outages in the Philippines, has received an 'Excellent' rating by the British Research Establishment Energy Assessment Method (BREEAM), the first and only BREEAM rated building in the Philippines. The FCO are leading by example in reducing the demand for power plants through a sustainable building that uses considerably less energy than other structures.

### Case Study

*The new build British Embassy in Manila in the Philippines demonstrates the FCO's commitment to achieving a more sustainable, less carbon-intensive economy through its design. The new build includes solar panels for water heating, high ceilings for air circulation, large windows for natural lighting, energy-efficient and motion-sensor lighting, water irrigation for plants, and recycled water for toilets. The British Embassy is also supporting the creation of a green building rating system, specifically for the Philippines. The building stands as a testament to the FCO's commitment to reduce carbon emissions*

### UK Government Commitments

In 2005, the UK Government committed to making the UK a leader in the EU for sustainable procurement. In addition to adopting robust targets for reducing greenhouse gas emissions, 34% by 2020 and 80% by 2050, the UK Government has recently strengthened its commitment to being 'the greenest Government ever' by setting an additional carbon reduction target of reducing emissions within

Central Government by 10% in 12 months during 2010/2011.



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The UK Government's commitment to leading by example is demonstrated in the sustainability targets which have been set through the existing SOGE targets. Furthermore this commitment is strengthened through the introduction of more challenging targets recently set out in the Sustainable Development in Government (SDiG) Framework which is due to replace the SOGE targets in 2010/2011. In recognition of the influential role of procurement in driving through policy, the UK Government has increased visibility of sustainable procurement within the new SDiG Framework, which was published in March 2010. Government is increasingly encouraged to harness its purchasing power to influence positive and responsible behaviour within its supply chains and to reduce the impact that supply chains have on the environment.

Under the SDiG Framework, central government departments and executive agencies have been targeted to reach an average of Level 3 on the Flexible Framework, which includes as a minimum, Level 3 for measurement and results. This target is to be met by the end of 2012. Furthermore, departments and executive agencies have been targeted to reach Level 5 for all areas covered by the Flexible Framework by the end of March 2015.

The coalition government is also committed to promoting economic responsibility such as supporting Small to Medium Enterprises (SME's) as well as the recent commitment in taking action to support social responsibility, volunteering and philanthropy through the launch of 'big society' community projects such as the proposed initiative in Sutton to develop sustainable transport services and create 'green living' champions.

### What is the Flexible Framework?

The Flexible Framework is a maturity matrix which allows organisations to measure and assess their progress and performance on sustainable procurement. The framework covers 5 themes across 5 maturity levels:



The FCO considers the Flexible Framework to be a key tool in measuring how well embedded and how enhanced sustainable procurement practices and principles are within our procurement process. A copy of the Flexible Framework can be found at Appendix B of this document.

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## FCO Objectives

The UK coalition government has raised the bar with regards to climate change and environmental policies by aiming to become the 'greenest government ever'. The Foreign Secretary has outlined a similarly ambitious and active foreign policy under the heading of '[Promoting Britain's Enlightened National Interest in a Changing World](#)'. The second of the three related policy priorities being concerned with promoting Britain's prosperity, in part through sustainable global growth.

With an annual procurement spend of approximately £865m the FCO is well placed to use this spend to influence improved and sustainable outcomes. In support of government and departmental aims, the FCO Corporate Procurement Group seeks to embed sustainable procurement in our processes with a specific objective to progress to level 3 against the Flexible Framework by 2012 and achieve level 5 by 2015.

## Delivery Work Streams

Work to embed enhanced sustainable procurement practices within the FCO is being led by the Corporate Procurement Group (CPG). The delivery of improved sustainable procurement performance is divided into a number of work streams covering the 5 themes within the Flexible Framework along with several other key areas for the FCO such as the overseas estate.

### People

To improve procurement practice and make sustainable procurement happen, it is important that all procurement staff receive appropriate training and development and that general sustainable procurement awareness is raised across the FCO.

*The FCO will strengthen leadership and increase skills and delivery capability to achieve Level 3 against the Flexible Framework by 2012.*

The FCO has established a Policy and Performance section within CPG, whose responsibilities include sustainable procurement policy and performance measurement of FCO's progress against the Flexible Framework. The FCO will raise awareness of sustainable procurement across the department and develop capability by providing induction level, basic and advanced sustainable procurement training to people involved in procurement. Specific topic areas such as climate change and category specific sustainability considerations will be included in future awareness training and delivered to key FCO staff. To increase accountability, sustainable procurement will be integrated within job descriptions and objectives so that key procurement resource can clearly see how their

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contribution supports the FCO to meet its sustainable procurement objectives and performance targets.



**Example** – Procurers should support and encourage local suppliers, for example, by specifying minimum response times or for catering, the supply of fresh and organic seasonal foods. Local supply improves local health by reducing transportation and freight impacts (carbon emissions, congestion, pollution and accidents) whilst simultaneously supporting the local economy.

### Policy, Strategy & Communication

Development and communication of our sustainable procurement strategy and policy is needed in order to set out clear priorities for sustainable procurement and to set out how we will achieve our objectives in a consistent manner.

*The FCO will produce and publish a sustainable procurement strategy (this document) that supports the FCO's Sustainable Development Action Plan.*

This strategy document will be published along with our sustainable procurement policy and guidance. These will be reviewed on a quarterly basis to ensure they remain aligned to the FCO strategy, the UK government agenda including policy priorities and to ensure that they address new challenges, technologies or opportunities. Through our category management function, we will seek to incorporate sustainable procurement principles and practices within the relevant category strategies, such as offsetting carbon emissions associated with air travel. We will work closely with colleagues across the FCO to coordinate the communication of relevant initiatives to our staff, suppliers and key stakeholders through our intranet, our monthly CPG newsletters and working groups.

### Process

Improved processes will make FCO a more intelligent customer and in doing so become well placed to capture opportunities to address sustainability impacts within our procurements and supply chains.

*The FCO will establish processes and mechanisms to build sustainability into our procurement activity to achieve Level 3 on the Flexible Framework by 2012.*

The FCO has analysed its expenditure and from this spend data we will identify and prioritise key sustainability impacts within procurements and key categories of spend such as Travel, ICT and Estates, including Construction and Facilities Management. The FCO will review and update the procurement cycle guidance ensuring that sustainability is considered during all stages of the procurement process. A sustainability impact assessment

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model including templates for key categories of spend will be developed and published for use across the organisation.

Awareness of the Government Buying Standards and of category specific sustainability impacts will be delivered to equip staff with appropriate knowledge to ensure that the relevant standards and impact mitigation strategies are incorporated within procurements and contracts.



### Engaging Suppliers

Our supply chain can be considered one of our key assets and it is only through the support of our supply chains that the FCO will meet its sustainable procurement objectives in full. Ensuring that our suppliers are accountable for their actions will also deliver true sustainability.

*FCO will create responsible supply chains capable of delivering UK Government policy priorities.*

We will identify key suppliers and encourage these to embed similar sustainable procurement principles and practices into their procurement functions. We will improve their awareness of government agenda, harness their best practice and look to our suppliers to contribute to achievement of our targets. We will do this by engaging with our key suppliers and reviewing their approach to sustainability in line with the UK Government agenda and FCO priorities, benchmarking their progress and seeking opportunities for continuous performance improvements in support of our objectives. We will also look to encourage our suppliers to cascade our values and the achievement of performance improvements through their own supply chains and not just in delivery to government.

### Measurement & Results

Measuring progress will not only enable the FCO to report on progress against the Flexible Framework but will also enable the FCO to assess the benefits realised from sustainable procurement, such as tonnes of CO2 saved through a procurement.

*FCO will establish a set of Key Performance Indicators to enable measurement of progress against the Flexible Framework.*

A sustainable procurement delivery plan has been developed (See Appendix A) which sets out various actions that will ensure progression against the Flexible Framework. To measure successful delivery of the sustainable procurement delivery plan, CPG has introduced key performance indicators to identify and demonstrate our progress. FCO will raise the standard of sustainable procurement through improved monitoring processes such as the monitoring of compliance with the use of the Government Buying Standards, benchmarking our suppliers approach to environmental, social and economic responsibility and monitoring

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the extent to which sustainable procurement practices are adopted overseas. Our progress will also be captured within the FCO Environmental Management System as well as the CPG procurement dashboard.

### Overseas

The FCO operates in over 170 countries with approximately 90% of staff being based overseas. With a global footprint and a significant proportion of people overseas, it is therefore important that our approach to sustainable procurement considers this diverse and challenging context.

This strategy will apply to both UK and overseas operations and our policy, guidance and training material will be developed to support our global operation. Local and regional circumstances may mean that it is not always possible to implement sustainable procurement principles and practices in full. These should however, be adopted wherever possible. The FCO has a wealth of good practice and case studies of work undertaken overseas which supports sustainable development and sustainable procurement objectives. We will seek to harness these strengths by raising awareness and sharing good practice through publicising case studies via the intranet and our monthly procurement newsletter. We will also look to assess the international aspects of our supply chains and encourage greater supply chain accountability across the globe.

### **Case Study**

*The British Embassy in Dar es Salaam has installed a rainwater-harvesting system to reduce water consumption. The system collects filters and stores rainwater, which is then used for various purposes, including but not limited to gardening. This is particularly relevant given the fact that rainfall is seasonal and unreliable which can mean that gardens need additional water during periods of limited rainfall. Coupled with the fact that water costs are rising, this solution reduces water consumption and therefore reduces costs. Many other posts overseas and here in the UK are adopting similar rainwater-harvesting systems.*

### Collaboration

Acting consistently with other government departments will ensure that the FCO does not reinvent the wheel and reduce the burden on the supply chain.

FCO will work with key partners such as Department for International Development, the British Council, FCO Services and BBC World Service to share knowledge and adopt, wherever possible, common processes and approaches to sustainable procurement. We will consider proven approaches to supplier engagement that have been adopted by other government departments. We will also work closely and support the work of OGC and the Centre of Expertise in Sustainable Procurement (CESP) as well as DEFRA and DECC, engaging on initiatives such as the specification of additional Government Buying Standards and

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representing FCO on pan government sustainable procurement programmes and working groups such as the Sustainable Procurement Operations Advisory Group (SPOAG).

### Case Study

FCO are one of four Departmental hosts for the Energy Efficient Whitehall project. The initiative is being led by the Department for Business Innovation and Skills and the Department for Energy and Climate Change. The project aims to provide opportunity for businesses to prove their technological innovations that support with reducing carbon emissions and increasing energy efficiency through retrofitting government buildings. The initiative is being piloted by four buildings in Whitehall, including the FCO building at King Charles Street.

### Governance

The following diagram depicts the sustainable procurement governance structure, with key stakeholders, lines of communication and responsibilities.

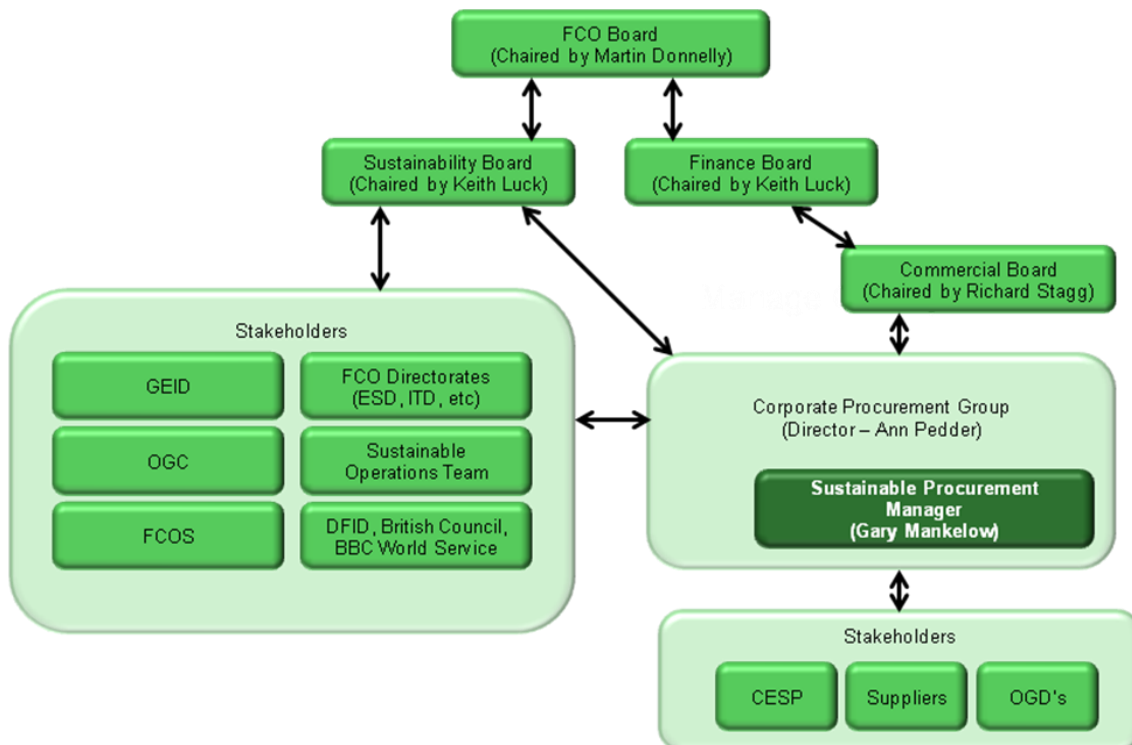


Image 2 - FCO Sustainable Procurement Governance Structure

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## Sustainable Procurement Delivery Plan – Appendix A

Sustainable Procurement Delivery Plan 2010 - 2012						
Action Point		Workstream Themes				
		People	Policy, Strategy & Communications	Procurement Process	Engaging Suppliers	Measurement & Results
Level 1 Foundation	1	Identify Sustainable Procurement Champion		Expenditure analysis undertaken through ProcureTrak with key categories of spend identified	5 CDP suppliers require encouragement to submit responses before 31 <sup>st</sup> July 2010 deadline	Dedicated Sustainable Procurement Policy Lead
	KPI	Champion Identified - Gary Mankelow		<u>100% of spend mapped into categories</u>	<u>% of suppliers completed within the deadline. Target = 80%. 100% completed</u>	In post - Gary Mankelow
	2	Identify relevant CPG staff involved in procurements with biggest sustainability impacts		Identification of key existing UK contracts		Develop a plan of action to progress to level 3 on the Flexible Framework
	KPI	<u>Number of staff identified - category management teams</u>		<u>Number of key contracts identified</u>		
Level 2 Embed	3	Training Needs Analysis/Identify key CPG staff for sustainable procurement training (CESP undertaking TNA project - summer 2010)	Map of the Stakeholder Community	Draw up contracts database for existing and future UK contracts and consideration for sustainability impact	Identify top suppliers by spend	Respond to the Sustainable Procurement elements of 2009/10 SOGE return
	KPI	<u>Produced - Linked to CESP work</u>	<u>Produced</u>	<u>Number of UK managed contracts &amp; procurements featuring in the database</u>	<u>Spend data available</u>	<u>Responses submitted by 16/07/10</u>
	4	Develop overarching sustainable procurement training for inclusion in generic CPG procurement training module (e-learning module?)	Review Sustainable Development Action Plan ensuring direct link to sustainable procurement	Engage on procurements in the pipeline	Sustainability impact matrix produced for key categories of FCO spend	Develop a mechanism for measuring/monitoring success against the plan through use of KPI's
	KPI	<u>Training materials produced</u>	<u>Reviewed</u>	<u>Number of UK managed procurements engaged on</u>	<u>Impact matrix produced</u>	<u>Developed - This document</u>
	5	Develop specific sustainable procurement modules e.g. category specific training to slot into Training and Development plan		Review key existing contracts to see which include sustainability criteria e.g. Government Buying Standards and scope for inclusion of these standards	Engagement with FM Service Provider and engagement on construction works procurement	
	KPI	<u>Training materials produced</u>		<u>Number of existing contracts reviewed</u>	<u>Discussions with Interserve commenced</u>	
	6				Identify key suppliers to be targeted for engagement on sustainability	
KPI			<u>Number of suppliers mapped for engagement based on sustainability impact matrix and strategic importance</u>			

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Sustainable Procurement Delivery Plan 2010 - 2012							
Action Point		Workstream Themes					
		People	Policy, Strategy & Communications	Procurement Process	Engaging Suppliers	Measurement & Results	
Level 3 Practice	7	Build sustainability into CPD staff objectives	Develop sustainable procurement strategy	Sustainability Impact Assessments produced for pipeline procurements	Supply Chain audit/assurance programme initiated	Incorporate the sustainable procurement delivery plan within the EMS	
	KPI	Number of CPG Staff with sustainability objectives - see KPI info under Plan	Produced	% of procurement engaged on with sustainability impact assessments produced	Number of suppliers engaged with as part of supplier audit/assurance programme	Inclusion within EMS	
	8	Refresher Training workshop delivered to all CPG staff included latest sustainable procurement principles	Review the existing sustainable procurement policy and create map of all sustainable procurement guidance	Develop a Sustainability Impact Assessment template for use with key categories of spend	Publicise examples of good practice within supply chain	CPG staff with sustainability objectives are appraised against these objectives	
	KPI	% of CPG staff who attended training	Map produced	Number of impact assessment templates developed	Number of publications	Number of CPG staff whose appraisal considers their sustainability objectives	
	9		Update sustainable procurement guidance				
	KPI		Number of sections of sustainable procurement guidance materials that have been updated				
	10		Obtain stats for FCOnet web page viewing to identify most frequently viewed web pages on procurement				
KPI	Stats obtained						
Level 4 Enhance	11	Build sustainable procurement into wider staff objectives	Ongoing review of policy guidance and strategy		Supply chain audit/assurance programme - 1st phase completed	SP Delivery Plan reviewed and extended to include specific measures to meet up to Level 5 of the Flexible Framework	
	KPI	Number of wider FCO staff with sustainable procurement objectives	Quarterly reviews undertaken		Number of suppliers whose approach to sustainability has been audited	Produced	
	12	Include sustainable procurement within FCO wide induction programme					
	KPI	Included within the induction programme					

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### Flexible Framework – Appendix B

<b>TASK FORCE REPORT Flexible Framework</b>	<b>Foundation</b>	<b>Embed</b>	<b>Practice</b>	<b>Enhance</b>	<b>Lead</b>
	Level 1	Level 2	Level 3	Level 4	Level 5
<b>People</b>	Sustainable Procurement Champion Identified. Key Procurement staff have received basic training in sustainable procurement principles. Sustainable Procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.	Targeted Refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.	Sustainable procurement included in competencies and selection criteria. Sustainable procurement is included as part of employee induction programme.	Achievements are publicised and used to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.
<b>Policy, Strategy &amp; Communications</b>	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy, in particular consider supplier engagement. Ensure it is part of a wider Sustainable Development strategy. Communicate to staff, suppliers and key stakeholders.	Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.	Review and enhance the sustainable procurement strategy, in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.	Strategy is reviewed regularly, externally scrutinised and directly linked to organisations' EMS. The Sustainable Procurement Strategy recognised by political leaders, is communicated widely. A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.
<b>Procurement Process</b>	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value for money, not lowest price. Procurers adopt Quick Wins.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life cost analysis adopted.	All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targets to improve sustainability are agreed with key suppliers.	Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life-cycle approach to cost/impact assessment is applied.	Life-cycle analysis has been undertaken for key commodity areas. Sustainability Key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.

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TASK FORCE REPORT Flexible Framework	Foundation	Embed	Practice	Enhance	Lead
	Level 1	Level 2	Level 3	Level 4	Level 5
<b>Engaging Suppliers</b>	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involvement.	Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.	Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.	Suppliers recognised as essential to delivery of organisations' sustainable procurement strategy. CEO engages with suppliers. Best practices shared other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.
<b>Measurements &amp; Results</b>	Key sustainability impacts of procurement activity have been identified. Simple measures based on achieving all aspects of the Foundation level of the flexible framework are put in place and delivered.	Detailed appraisal of the sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas. Simple measures based on achieving all aspects of the Embedding level of the flexible framework are put in place and delivered.	Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives. Simple measures based on achieving all aspects of the Practicing level of the flexible framework are put in place and delivered.	Measures and integrated into a balanced score card approach reflecting both input and output. Comparison is made with peer organisations. Benefit statements have been produced. Simple measures based on achieving all aspects of the Enhancing level of the flexible framework are put in place and delivered.	Measures used to drive organisational sustainable development strategy direction. Progress formally benchmarked with peer organisations. Benefits from sustainable procurement are clearly evidenced. Independent audit reports available in the public domain. Simple measures based on achieving all aspects of the Leading level of the flexible framework are put in place and delivered.