

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 07/03/2022

Subject: Adopting the WLA low-carbon procurement policy

Report of: Councillor Wesley Harcourt, Cabinet Member for Environment

Report author: Jim Cunningham, Climate Policy and Strategy Lead

Responsible Director: Sharon Lea, Strategic Director for Environment

SUMMARY

This paper seeks approval to adopt the West London Alliance (WLA) low carbon procurement policy ('the policy'). This has been developed collaboratively by H&F and eight west London boroughs, and presents a unified expectation of suppliers for council contracts on tackling the climate emergency across the subregion.

A charter with suppliers accompanies this, for inclusion in all new tenders, and for circulation to existing suppliers to encourage them to sign up to the same principles. A toolkit has also been developed to support commissioning and procurement officers to adopt climate considerations into all procurement.

RECOMMENDATIONS

That Cabinet:

1. Adopts the West London Alliance low-carbon procurement policy.
2. Approves the inclusion of the accompanying low-carbon charter in all future tenders as a precondition for successful tenderers.
3. Approves that the charter be sent to all current suppliers to encourage them to voluntarily agree to its principles.
4. Approves the inclusion of climate impact considerations in the development and evaluation of all future procurements, supported by the low-carbon toolkit and other support and advice available from the climate unit and elsewhere.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	This supports a local green economy by reducing the climate impact of local services and providing a unified message to businesses from west London boroughs. Training sessions will be held with local suppliers.
Doing things with local residents, not to them	This is part of a wider green economy agenda including the H&F Climate Alliance, which will support SMEs to transition to net zero carbon.
Being ruthlessly financially efficient	This supports H&F's aim to maximise environmental and social benefits of its' contracts by prioritising local supply chains and delivering greater value for money.
Rising to the challenge of the climate and ecological emergency	This delivers on the procurement objectives within H&F's Climate and Ecology Strategy. It supports boroughwide emissions reduction by encouraging low-carbon approaches from local suppliers.

Financial Impact

The one-off cost of implementing the WLA low carbon procurement policy is £4,800 in respect of consultancy and training. This can be fully funded from one-off underspends in the existing Climate Change Team revenue budget for 2021/22.

The procurement risks of adopting the policy are set out from section 20. In general, adoption of the policy is not expected to have an adverse impact on competition and the cost of contracts, as the toolkit is designed as a guideline to be used flexibly and with reference to the Council's own priorities and ambitions. The financial implications of any changes to existing contracts, or the award of new contracts, will be considered as part of the normal decision making process.

Kellie Gooch, Head of Finance (Environment), 9th December 2021

Verified by Andy Lord, Head of Strategic Planning and Monitoring, 10th December 2021

Legal Implications

There is no statutory requirement for Local Authorities to produce a Climate Strategy or an Action Plan under the Climate Change Act 2008. The Council's 2030 target and planned actions are intended to be consistent with, and exceed, the ambitions set out in the Mayor of London's 1.5 degree compatible action plan, and the Climate Change Act 2008, which presently sets a target for the UK to be net-zero by 2050.

All the recommendations set out in this report are consistent with the Council's policy and the Public Contracts Regulations 2015.

Verified by Joginder Bola, Senior Solicitor (Contracts and Procurement), 2nd December 2021

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Current low-carbon procurement policy in Hammersmith & Fulham and west London

1. Hammersmith & Fulham Council's (H&F) baseline 2019/20 carbon audit estimated over 63,000 tonnes CO₂e from H&F's procurement, equal to all the council's emissions from its corporate buildings, housing, and fleet.
2. The council's Climate and Ecology Strategy states the following ambition on procurement: *"The development of our low carbon procurement framework will offer a huge opportunity to progressively reduce the impact of our £420m yearly spend. We will develop our internal mechanisms to ensure our procurement meets the objectives of this strategy. Where possible, we will maximise the environmental and social performance of the council's contracts by prioritising local supply chains, supporting our local economy, and delivering greater value for money for our residents."*
3. The accompanying action plan includes the following actions to pursue this:

Ref	Action	When
F3.2	Evolve our procurement policy and management framework (including standard terms and conditions; and minimum standards) so that it is consistent with our ambition zero emissions and associated policy around value for money, social value.	2022
F3.3	Communications, engagement and market management with existing providers – including identifying quicker win actions that can be undertaken through current contracts and programme of recommissions/procurement that are upcoming.	Immediate and ongoing
F3.5	Align the forward plan for contract review and re-procurement and wider commissioning strategies with the climate strategy programme.	2022
F3.6	Organisational development and training for key lead officers in commissioning and procurement on low carbon procurement policy.	Ongoing

4. The West London Build & Recover plan, launched in September 2020, states that councils will "use [their] status as 'anchor institutions' to lead by example

by making our procurement policies more favourable to low carbon suppliers.”

5. H&F does not yet have a sustainable procurement policy, which is commonly used to set out principles and objectives to procuring officers, prospective tenderers, and residents.
6. Climate implications are now required for key decisions and procurement strategies in H&F. Drafting tends to take place at the report-writing stage, so a further framework is needed to embed the consideration of climate impacts from the outset of designing proposals.

Proposals and Analysis of Options

WLA Low-carbon procurement policy, charter, and toolkit

7. H&F and other west London sustainability and procurement officers collaborate in the West London Low-Carbon Procurement Group. This group, with the support of environmental consultants, has developed a common low-carbon procurement policy, a supplier charter to be signed by council contractors, and a supporting toolkit for officers involved in procurement.
8. The policy is intended to:
 - facilitate continuous improvement in climate impacts from participating boroughs' procurement;
 - provide a common approach to achieving, monitoring, and reporting this;
 - present a unified and more navigable low-carbon policy landscape to businesses.
9. The charter is a document for suppliers to commit to. It sets expectations for suppliers to support the contracting borough in its objectives to achieve net zero greenhouse gas emissions.
10. WLA authorities are expected to include the charter in tender packs for all new procurement as a condition of award. The authorities will also send the charter to all existing suppliers, to encourage them to sign up and to notify them of this precondition for any future contracts. Existing suppliers cannot be compelled to agree to the charter, but many are expected to voluntarily agree.
11. The toolkit helps authorities deliver on the aims of the policy and charter by guiding officers undertaking procurement to include climate-specific considerations, tender questions and KPIs.
12. The approach was discussed at the West London Environment Directors' group in November 2021, where the principle of acting as a subregion was supported. It was agreed to progress the policy and accompanying documents through individual boroughs' governance.

Options appraisal

13. The following options have been considered:

14. **Option 1: do nothing**- not recommended. H&F would continue without a low-carbon procurement policy, supplier charter, and toolkit. The council would not meet its adopted Climate and Ecology Strategy actions stated above in point 4. In the absence of a policy, charter and toolkit, services would develop proposals independently of corporate guidance, and suppliers would not have a single clear point of reference for the council's expectations, hampering progress on the council's objectives to reduce its climate impact through procurement.
15. **Option 2: develop a sovereign low-carbon procurement policy, charter, and toolkit in-house**- not recommended. A sovereign approach would have a lesser impact than a unified subregional approach, as it will not indicate that these standards will be expected for any local authority work across west London. It will also create a more arduous policy landscape for suppliers, including local suppliers, to navigate. The main benefit would be the scope to tailor a policy to aspects unique to H&F. However, the approach and principles set out in the WLA policy are at a high level and are flexible to the particular requirements of each borough, and make reference to adhering to the climate action plans of the relevant borough. The WLA approach was developed with H&F officers, so an in-house approach would likely be similar.
16. **Option 3: use the toolkit, but do not adopt the policy or charter**- not recommended. In the absence of a policy the toolkit would be harder to embed and its use by services would be piecemeal.
17. **Option 4: adopt the WLA policy, charter, and toolkit**- recommended. The adoption of these is expected to bring the following benefits:
 - Delivering on the actions in our adopted Climate and Ecology Strategy, referenced above in point 4.
 - Delivering on the West London Build & Recover Plan.
 - Ensuring all of the council's spend of over £400m per year considers opportunities for carbon reduction.
 - Sending a strong signal to suppliers as a subregion and avoiding the perception that businesses can pivot towards boroughs with lower expectations on the climate emergency.
 - Growing a competitive advantage for the local green economy by incentivising suppliers in the subregion to align their business to net zero sooner rather than later.
 - Providing a more navigable low-carbon policy environment for local businesses, and those operating locally, by offering a common policy framework rather than eight separate policies.
 - Supporting H&F's borough-wide net zero objective by incentivising local suppliers to decarbonise.
 - Providing a common framework for monitoring supply chain commitment to decarbonisation across west London.
 - Offering opportunities for learning alongside other boroughs, through an initial training offer to commissioners and suppliers on the approach and toolkit, and through feedback and continuous improvement on a common framework and toolkit.

Risks of adoption and mitigations

18. The following risks of adoption of the WLA policy and accompanying documents have been considered:
19. **Risk 1: limiting the scope of H&F's procurement-** low risk. The policy is a high-level statement that sets out principles and objectives consistent with H&F's existing ambitions in our adopted Climate and Ecology Strategy. There are no requirements to use particular products, services, or procurement approaches. The toolkit is a guideline to be used flexibly and with reference to authorities' own priorities and ambitions.
20. **Risk 2: increasing the cost of procurement-** medium risk. As set out in Risk 1, the documents do not hold authorities to any specific products, services, or procurement approaches, so adoption poses no direct implications for cost. Costs associated with low-carbon solutions are dependent on each product and service model, and range from immediate savings (such as on reducing meat in food procurement or consolidating deliveries) to higher costs (such as on replacing gas boilers with heat pumps), and higher upfront costs but with lifetime savings from reduced operational expenditure (such as electric cars and building insulation). This risk can be managed through market engagement prior to procurement, and the inclusion of ambitious but proportionate targets for low-carbon transition within contracts.
21. **Risk 3: reducing supplier interest in bidding for council contracts-** low risk. The supplier charter expects suppliers to support the council's net zero ambitions by seeking opportunities to reduce the climate impacts of their services. This is aligned with national legislation mandating the UK to achieve net zero carbon emissions by 2050, and does not commit suppliers to specific targets, which would be the subject of the specification and KPIs of any procurement. Risks of discouraging bids are further mitigated by adopting a common policy across the subregion, and by working with suppliers to support their transition, including through the H&F Climate Alliance.
22. **Risk 4: restricting the opportunity for small and local suppliers to bid for council contracts-** medium risk. As discussed above the policy is high-level and flexible, and its adoption does not directly pose a risk to small local suppliers. The policy stipulates that for procurements below a given threshold value 'due regard should be given to the resources available to smaller providers which may bid for lower value procurement.' This will be applied according to the thresholds within H&F's constitution and contract standing orders. Some upfront costs of low-carbon solutions may be more easily borne by larger suppliers, so this should be considered in procurement strategies. However, smaller local suppliers may also offer low-carbon opportunities such as more flexible business models, and reduced transport needs. Additional support for local suppliers will include the H&F Climate Alliance.
23. **Risk 5: low adoption of the approach in council procurements-** medium risk. As H&F's procurement is decentralised efforts will be needed to ensure consistent adoption. A formalised policy is expected to assist with visibility of this agenda. Its application will be mainstreamed into the wider category

management approach under development to ensure it is consistent, targeted, and simplified for the services undertaking procurement. This risk will also be managed through existing procurement checkpoints.

Next steps

24. To embed the approach and further progress H&F's carbon reduction through procurement, the intention is to:
 - Ask all current suppliers to sign up to the charter voluntarily, and include the charter in tender packs for all future procurements.
 - Hold training sessions for H&F officers.
 - Hold training sessions for local suppliers.
 - Mainstream carbon reduction into the category management approach currently under development.
 - Ensure the approach is applied consistently through existing procurement checkpoints such as Contracts Assurance Board.
 - Establish a framework of key performance indicators across the Climate and Ecology Strategy, including on procurement outcomes, to track progress against the strategy. These will be aligned with the monitoring approach across west London.

Reasons for Decision

25. The recommendations deliver on the council's adopted Climate and Ecology Strategy, support the transition to net zero emissions in the borough, and offer the additional benefits over alternative approaches outlined above at point 17 ('Option 4: adopt the WLA policy, charter and toolkit').

Equality Implications

26. No equality implications are foreseen as a result of these recommendations. As described above, the policy is flexible and makes provision for smaller suppliers, so no structural impacts on certain types or sizes of business that could result in inequalities should result from adoption of this policy.

Risk Management Implications

27. The report recommends the adoption of the West London Alliance low carbon procurement policy which has been developed collaboratively with seven other boroughs, which is intended to present a unified, high-level expectation of suppliers for council contracts on tackling the climate emergency across the subregion. The reports sets out a number of risks in adopting this policy with a range of mitigations which can be put in place.
28. The H&F Climate Unit will have a key role to play in assessing the benefits and impacts of the policy, both environmental and financial, as it is applied to

procurement exercises and to use this assessment to review and develop the policy. This assessment should include keeping the risks identified above and any emerging risks under review and proposing appropriate mitigations where required.

Implications verified/completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 9th December 2021

Climate and Ecological Emergency Implications

29. These recommendations aim to embed a low-carbon approach to the council's procurement, associated with emissions of over 63,000 tonnes CO₂e. This represents a significant opportunity for the council to reduce the 'scope 3' emissions indirectly caused via its supply chain. It also supports the development of a local green economy by influencing local suppliers within the council's supply chain, and thereby supports the reduction of boroughwide emissions.

Implications verified by: Hinesh Mehta, Strategic Lead – Climate Emergency, 9th December 2021

Procurement implications

30. The climate change team are working with the council's procurement function to identify how the standard procurement documentation and process is to be updated.
31. This important aspect is part of our commitment to sustainable, responsible, ethical sourcing, and will be shared with all officers leading on procurement and contract management across directorates.
32. Implementation will be supported by the training programme outlined in this report.

Verified by Waheeda Soomro: Corporate Procurement Officer, 26th January 2022

LIST OF APPENDICES

1. [WLA low carbon procurement policy](#)
2. [WLA low carbon procurement charter](#)
3. [WLA low carbon procurement toolkit part 1](#) (Word)
4. [WLA low carbon procurement toolkit part 2](#) (Excel)