

TRANSPORT FOR LONDON

SAFETY, HEALTH AND ENVIRONMENT ASSURANCE COMMITTEE

SUBJECT: REVIEW OF TfL'S PROGRESS IN DELIVERING RESPONSIBLE PROCUREMENT

DATE: 9 MARCH 2011

1 PURPOSE AND DECISION REQUIRED

- 1.1 This paper provides a review of TfL's approach, progress and performance in delivering Responsible Procurement across the organisation.
- 1.2 The paper reviews the policy, the progress in meeting national and Mayoral Responsible Procurement standards, the consistency of delivery and the benefits being delivered.

2 BACKGROUND

- 2.1 Responsible (or sustainable) Procurement involves purchasing goods, works and services and developing relationships with suppliers in a way that delivers the maximum economic, social and environmental benefits for TfL, the GLA Group and London.
- 2.2 The importance of procurement in influencing sustainability is a recognised part of national policy, being first included in the UK Sustainable Development Strategy of 2005.
- 2.3 All public procurement in the UK is required to achieve value for money and is governed by the public procurement rules to ensure that it is fair and open. The Government recommends use of the Flexible Framework, developed by the business-led Sustainable Procurement Task Force and documented in the UK Government Sustainable Procurement Action Plan 2007. The Framework allows organisations to measure and monitor their progress on sustainable procurement over time. There are five levels of achievement that recognise which stage an organisation has reached; these are: foundation; embed; practice; enhance and lead. The organisation's progress in five themes is assessed; these are: working with people; developing policy; strategy and communication; procurement processes; engaging suppliers and measurement plus results.

GLA Group Responsible Procurement Programme

- 2.4 The GLA Group sees procurement as a key mechanism for helping to achieve the Mayor's vision for London to be an exemplary, sustainable world city. The GLA Group spends in the order of £3.4bn a year, of which a significant proportion is spent by TfL. This scale of expenditure means that there is potential for influencing supply chains to have a noticeably positive effect.

- 2.5 The Mayor's commitment to Responsible Procurement is set out in the GLA Group Responsible Procurement Policy and framework for delivery. Within the GLA Group, sustainable procurement is termed Responsible Procurement, to clarify that it is about more than environmental improvements. The Mayor's Policy has been in place since 2006 and was updated in 2008. It has three main priority areas:
- (a) People – To provide sustained employment opportunities and improved standards of living through paying the London Living Wage and supporting training and skills development in the supply chain;
 - (b) Business – To open up contract opportunities for London's businesses and encourage improved practices with suppliers through making procurement more open and transparent, supporting SMEs and promoting equal and diversity; and
 - (c) City – To promote greater environmental sustainability through low carbon, resource efficient procurement and providing leadership to London's public and private sector.
- 2.6 There is a pan-GLA Group, Central Responsible Procurement Team (CRPT), based at TfL, which looks for opportunities and delivers benefits across the whole GLA Group, covering the procurement policies and practices of the Metropolitan Police, London Fire Brigade, TfL, London Development Agency and the GLA. The GLA Functional Bodies are accountable for delivering Responsible Procurement within their own organisations.

Mayor's Green Procurement Code

- 2.7 The Mayor of London's Green Procurement Code was launched in 2001 and its original purpose was to help create a market for recycled products. The Code was re-launched in 2007 with a wider focus on management and behaviour change as well as technical specification. The Code includes a range of environmental issues from energy efficiency to the use of sustainable natural resources. TfL encourages its suppliers to sign up to the Code; currently over 80 have signed up.
- 2.8 London based organisations are encouraged to sign up to the Code, committing to reducing their environment impact through responsible purchasing. Signatory organisations carry out annual process reviews through self assessment that aligns with the Flexible Framework.
- 2.9 In addition, the Mayor's Climate Change Mitigation and Energy Strategy requires the GLA Group to lead on the reduction of London's carbon emissions and has specific actions for working with the supply chain.

3 APPROACH AND DELIVERY IN THE GLA GROUP AND TFL

Strategy

- 3.1 TfL has a Procurement Review Board where senior procurement staff from across the business evaluate the procurement strategies for any proposal valued above £1m. Their assessment process includes Responsible Procurement criteria including a checklist of key responsible procurement policy issues. All contracts are also documented in a contracts calendar on

SharePoint with information about the specific Responsible Procurement requirements being included in the contract.

Implementation

- 3.2 The TfL Group Best Practice and Responsible Procurement Team liaise with procurement colleagues across the organisation who are developing new or renewed contracts. The central team delivers pan-TfL policy, guidelines, training, toolkits and progress reports.
- 3.3 TfL uses guidance and tools to help project managers and procurement colleagues deliver Responsible Procurement, through embedding the key themes of the GLA Group Responsible Procurement Policy and other key policies. Carbon Reduction Guidance for Procurement Agents was published in October 2010. Also, in 2009/10, all Group Procurement staff attended training on responsible procurement, along with many colleagues from Surface Transport, London Rail and London Underground procurement teams. In April 2010, a Responsible Procurement eLearning Toolkit was rolled out and a series of training sessions held. Between October 2010 and February 2011, selected TfL staff have attended an intensive three days advanced Responsible Procurement Training course, co-ordinated by the CRPT and funded by the Department for Environment, Food and Rural Affairs. To date, 24 key TfL procurement staff have attended the training.
- 3.4 In December 2010, TfL signed up to the GLA Group Sustainable Food Procurement Commitment. The commitment sets out eleven criteria around the social and environmental sustainability of the food purchased for GLA Group functional bodies' staff restaurants and canteens. These criteria are based around LOCOG's Vision for sustainable food at the London 2012 Games. The commitment exemplifies best practice in public sector food procurement, and will be met at no extra cost to TfL.
- 3.5 TfL joined the Ethical Trading Initiative (ETI) in 2006 on the basis of its London Underground uniform supply chains, covering a spend of around £6m. TfL was the first public sector organisation to join the ETI and has since joined Sedex, the supplier ethical data exchange, to help identify, monitor and take action on ethical sourcing risks in key supply chains.
- 3.6 Crossrail also operates in accordance with the GLA Group's Responsible Procurement policy and has published its Responsible Procurement Policy.
- 3.7 TfL includes provisions for the payment of the Mayor's London Living Wage (currently £7.85 per hour) in appropriate contracts. As a direct result of this over 1,300 people employed by TfL contractors have had increases to their hourly rates.
- 3.8 In order to help ensure a diversity of suppliers and encourage small to medium enterprises to bid for contracts, TfL has used the 'CompeteFor' system to advertise its opportunities. Over 150 opportunities have been set out in the last year, either as fully published opportunities or sign-posted opportunities where the value is over the EU threshold. In addition, TfL has included 200 flow-down clauses that require larger contractors to advertise their sub-contract requirements.

- 3.9 TfL has embraced the Mayor's Prompt Payment initiative and for periods 1 to 11 of the current financial year has on average paid 87 per cent of Small to Medium Enterprises invoices in 10 days or less.

Working with the Supply Chain

- 3.10 The GLA Group is working with the Carbon Disclosure Project, a not for profit international organisation that compiles data on organisations' carbon emissions. Fifteen GLA Group suppliers have participated in the project. The results of which show TfL which of the suppliers, of those who provided information on their work on carbon reduction and their performance results, is doing well and who would benefit from further collaboration. Consideration is now being given to the next steps to maximise the benefits of CO₂ reduction through the supply chain.
- 3.11 The first Mayor's Responsible Procurement Awards were held in December 2010, recognising the contribution made by GLA Group staff and suppliers in using procurement to achieve outstanding value for London. TfL staff and suppliers were highly commended or won in five of the seven categories.

Review of Responsible Procurement Progress and Performance

- 3.12 All the members of the GLA Group have been independently assessed against the Flexible Framework for four years. TfL was assessed to be at level 5, 'lead', by an independent auditor in April 2010 and was the first public sector body to have achieved this. The auditor stated that the TfL results were a good example of public money being well spent and was the finest instance of public sector sustainable procurement he had seen.
- 3.13 TfL is regularly assessed against the Mayor of London's Green Procurement Code and achieved the top 'Gold' level of progress in June 2010. TfL is currently being assessed for its 2010/11 performance.
- 3.14 The Chartered Institute of Purchase and Supply recently accredited TfL's procurement function and said that TfL is a leader in the field of Responsible Procurement.
- 3.15 Progress and good practice case studies are reported publicly in the annual GLA Responsible Procurement Progress Report. The 2010 Report, 'Unlocking Public Value', highlighted good examples of where this approach has really delivered benefits.

(a) Supplier Skills Team/Apprentices

Consultancies on the TfL Engineering and Project Management Framework, supported by the GLA Group Suppliers Skills Team have set up a new civil engineering apprenticeship scheme. The consultancies have funded a new further education course at a south London college.

(b) Highways Maintenance Works Contracts

The Highways Maintenance Works Contract provides the framework under which major highway maintenance and repairs in London are undertaken. Supplier diversity and environmental requirements were included in the contracts. On supplier diversity, benefits have included

contractors putting in monitoring systems to understand better their baseline and putting extra resources into improving equalities and diversity in their workplaces. Contractors have also achieved environmental improvements, such as innovative recycling processes and operating low carbon support fleets.

(c) Catering Contract

TfL has recently renewed two catering contracts covering 25 train depots and five head office restaurants. TfL stipulated that all food waste be composted and all other waste recycled. All disposable packaging had to be made from recycled material and all used cooking oil is collected and converted to vehicle fuel. The suppliers have performance indicators for reducing energy and water use. There are also a number of health and welfare requirements covering food sourcing including using only 100 per cent RSPCA Freedom Food-certified eggs (40,000 per year are consumed) as well as specifying skills and training for staff under the Skills for Life programme.

- 3.16 Forum for the Future (FFF) carried out a review of TfL Responsible Procurement in 2009. The aim was to review the Responsible Procurement performance ranging from high level commitment to implementation, and to make recommendations on how to improve the effectiveness of TfL's guidance and tools.
- 3.17 The FFF review confirmed that TfL was leading the way in many areas of Responsible Procurement and showed that the TfL Procurement function had developed substantial capability to deal with this complex agenda. They said that Responsible Procurement is carried out in a number of contracts, where guidance is provided, systems and checks are in place, progress is communicated and there are plans for improvement.
- 3.18 The FFF report said that there are a number of examples where contracts and subsequent relationships with suppliers have been seen as beacons of good practice across the procurement sector, such as the Highways Maintenance Work Contracts. The next stage is to embed further this good practice so that it is present across all TfL contracts, where appropriate. The review also highlighted the need to revise and standardise aspects of existing Responsible Procurement guidance and to improve the usability and accessibility of guidance in some areas.
- 3.19 There are now many examples of contracts where responsible procurement is delivering benefits for TfL, including:
- (a) **Re:fit programme** – TfL has trialled the GLA Group-wide initiative to deliver a new way of funding energy efficiency improvements in buildings. The model involves a framework of energy service companies (ESCos) which can be procured more quickly at lower cost. The contract transfers the risk of delivery to the ESCos and guarantees an energy saving performance that will pay back investment, thus helping to attract this external funding.
 - (b) **Emerging energy sourcing contracts** – London Underground is working with Procurement to establish new ways of sourcing decentralised and renewable energy. New processes are being put into

place that can help London Underground work with energy companies under the Government's current Feed in Tariff rules. London Underground is also exploring ways of entering into partnerships with providers of local energy in London.

4 CONCLUSION

- 4.1 TfL has implemented a Responsible Procurement Strategy, support and processes that have delivered a leading performance that has been recognised externally. This is now delivering a growing number of examples where contracts and initiatives are demonstrating best practice in addressing the key elements of responsible procurement.

5 NEXT STEPS

- 5.1 Great endeavours have been made over the last four years to embed Responsible Procurement into procurement practices. Having a coherent programme like this across the organisation adds value and is a key element of the spending review and cost efficiency programme. TfL will continue to drive Responsible Procurement forward wherever the contractual opportunity is available.
- 5.2 Responsible Procurement continues to be a Mayoral priority and incorporation of the full range of Responsible Procurement elements into future contracts will become increasingly important as TfL focuses on delivering the maximum value for money in its contracts. There are also opportunities to deliver continual improvement and cost savings through further work with supply chain partners.

6 RECOMMENDATION

- 6.1 The Committee is asked to NOTE the paper.

7 CONTACT

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