



NSW GOVERNMENT RESPONSE

TO THE

LEGISLATIVE ASSEMBLY PUBLIC ACCOUNTS COMMITTEE

REPORT ON ENVIRONMENTALLY SUSTAINABLE PROCUREMENT

September 2010

Introduction

The NSW Government welcomes the Legislative Assembly Public Accounts Committee's *Report on Environmentally Sustainable Procurement*, tabled in the NSW Parliament on 25 March 2010.

The report examines the efficiency and effectiveness of environmentally sustainable procurement practices of NSW Government agencies with respect to goods and services. The report puts forward ten recommendations aimed at improving the implementation of environmentally sustainable procurement practices, including staff training opportunities, information sharing, annual assessments and cooperation with other jurisdictions.

The report acknowledges that the Government has an established policy framework and guidance materials to support environmentally sustainable procurement practices across the public sector, including the Procurement Policy, Code of Practice for Procurement, Sustainability Policy and Procurement Guidelines on Environmental Management. The report also acknowledges the many agency representatives dedicated to and championing environmentally sustainable procurement practices.

The Government supports the majority of the report's recommendations and acknowledges that in some areas, environmentally sustainable procurement practices could be improved to ensure consistency with existing procurement and sustainability policies.

The Government does not support the Committee's recommendation to remove the 'cost neutrality' principle from the Procurement Guidelines on Environmental Management.

The Government is giving consideration to requiring agencies to provide an annual assessment of their procurement systems against the UK Sustainable Procurement Task Force's Flexible Framework.

The Government thanks the Committee for their important work on this report.

Responses

Recommendation 1

The Committee recommends that the Government ensure all procurement officers receive training on:

- i) incorporating environmental considerations into the request for tender development process;**
- ii) incorporating environmental considerations into the tender selection process; and**
- iii) engaging with suppliers on environmental issues.**

SUPPORTED IN PRINCIPLE

The Government encourages and delivers training opportunities for all procurement officers across the public sector. Training is delivered in a variety of formats, including face-to-face and web based.

The Procurement Certification Training program, delivered by the Institute of Public Administration of Australia and the NSW Government aims to develop procurement capability throughout government in New South Wales by providing a foundation platform that carries national recognition and leads to tertiary qualifications. The Government will work to ensure that appropriate environmental considerations are included in the program.

The Government manages smartbuy®, an online tool used by the public sector to access goods and services contracts. Where applicable, these contracts include environmental requirements in tender specifications. Training on procurement and the use of smartbuy® is available to all Government procurement officers. The training provides guidance on how, why and what agencies can purchase, to manage procurement strategically and to gain better value for money which includes support for Government policies including environmental issues.

Government contract managers provide ongoing management of state contracts and regularly meet with suppliers. Training and support is provided to contract managers to upgrade performance of current contracts and assess feedback from suppliers on agency practices. A demonstration of greenbuy®, which highlights environmental products within smartbuy®, is included in the training on the use of smartbuy®. There is also training on smartbuy® for suppliers to assist with content display and management.

Recommendation 2

The Committee recommends that the Government ensure that refresher training is available for all procurement officers on the latest developments in sustainable procurement.

SUPPORTED

Regular refresher training is encouraged for all procurement officers and is offered in face-to-face and web based formats.

The Government is implementing a communications program across the public sector, including purchasing guidelines and point of purchase information on the smartbuy® website. Training for procurement officers forms a key component of the communications program.

Procurement officers can access information regarding environmentally friendly products through greenbuy®. Greenbuy® highlights the environmental features of products available on State Contracts Control Board contracts and provides specialist catalogues.

Recommendation 3

The Committee recommends that the Government ensure that all purchasing staff receive training on:

- i) how to assess competing priorities (including price, safety, environmental credentials, etc) when buying products;**
- ii) how to access information on the environmental performance of products; and**
- iii) engaging with suppliers on environmental issues.**

SUPPORTED IN PRINCIPLE

The Government encourages and delivers training opportunities for all procurement officers across the public sector.

Government agencies are accountable for implementing the Procurement Policy, Code of Practice for Procurement, Sustainability Policy, Procurement Guidelines on Environmental Management and for providing appropriate training for procurement officers. To assist agencies, the concept of 'competing priorities' will be clarified in the Procurement Guidelines on Environmental Management.

The Government is continuously improving and adding new channels for disseminating information on the environmental performance of products offered on State Contracts Control Board contracts. Currently, information is available online through the greenbuy® catalogue.

Greenbuy® provides a user friendly online mechanism for procurement officers to access the environmental features of contracts and assists agencies comply with sustainable procurement policy. Greenbuy® uses a selection of eco-labels in accordance with the Sustainability Policy, including energy star rating for electrical appliances, water efficiency ratings and the fuel efficiency for vehicles.

Greenbuy® assists suppliers to communicate comprehensive information about their products, including environmental performance.

In addition to the greenbuy® online catalogue, information on environmental performance of products available through State Contracts Control Board contracts is provided in individual contract user guides and product fact sheets. Information is also featured periodically in NSW Buy updates and Better Buying publications which are sent to all registered buying organisations.

Through the NSW Government's Waste Reduction and Purchasing Policy (WRAPP), agencies and state owned corporations are required to develop and implement a WRAPP plan to reduce waste in four areas, including paper products, office equipment and components, vegetation material and construction and demolition material. WRAPP requires that priority be given to buying materials with recycled content where they are cost and performance competitive. WRAPP plans set out information on strategies each agency will undertake to reduce waste and increase purchases of recycled content products.

WRAPP now forms part of the NSW Government Sustainability Policy, which sets new targets for resource use, disposal and procurement across energy, water, fleet and waste.

Recommendation 4

The Committee recommends that the Government establish an information-sharing network for procurement and purchasing staff to enable, among other things, the exchange of information on best practice and soliciting of advice.

SUPPORTED

The NSW Government Procurement website is the platform for information sharing on procurement issues. It provides easy access to a wide range of procurement information that is aimed at assisting procurement officers in government and the private sector.

The website also provides information on how to access a wide range of unique solutions, products and services that are designed to make doing business with NSW more efficient and effective.

In addition, the Government operates a help desk through 1800 NSW BUY (679 289), which provides assistance to procurement officers in government and suppliers.

The quarterly Chief Procurement Officers' Forum for NSW Government, commencing in late 2010, will serve as the Government's client engagement mechanism with senior executives of key agencies, and is a critical part of the Government's ongoing commitment to service delivery and customer focus.

Members of the Forum collectively represent the majority of budget dependent agency expenditure through State Contracts Control Board contracts. The Forum will provide for, amongst other things, the exchange of information on best practice and advice.

Recommendation 5

The Committee recommends that the Government remove the 'cost neutrality' principle from the Procurement Guidelines on Environmental Management and provide a clearer explanation of how 'value for money' is to be determined.

NOT SUPPORTED

The recommendation to remove the cost neutrality principle from the Procurement Guidelines on Environmental Management is not supported. The recommendation to provide a clearer explanation of how value for money is to be determined is supported. The Government will update the Procurement

Guidelines on Environmental Management to clarify the concepts of cost neutrality and value for money.

The fundamental objective of the Procurement Policy is to ensure that procurement activities achieve best value for money in supporting the delivery of Government services.

Removing the cost neutrality principle from the Procurement Guidelines on Environmental Management could have potentially negative financial implications over the life cycle of products purchased by agencies, and therefore would require lengthy consideration and analysis.

In considering environmental issues within value for money, the procurement process should be based on the concept of cost neutrality, that is substituting the use of products with lower environmental impact costs where the overall effect on the agency's business is cost neutral or favourable over the life of the product.

Agencies are encouraged to compare the use of sustainable products against the overall effect on the agency's business and on a full life cycle basis. For example, an agency may choose lower impact products that cost more than another product but result in savings over time which offset its greater cost (e.g. low energy light bulbs).

As the cost of a product or asset includes the price, support costs and any other costs that can be directly attributed to owning or using the product or asset, a product with a lower price could have higher ongoing costs. Cost neutrality requires that agencies factor in the initial purchase price and the ongoing costs including disposal costs.

Whole-of-life costs are a factor of the value for money criteria. The whole-of-life cost is the total cost throughout an asset's life including planning, design, acquisition and support costs and any other costs directly attributable to owning or using the asset.

Whole-of-life costs, where measurable, are included within the evaluation criteria of tenders. Examples of factors considered in whole-of-life costs are scheduled maintenance costs for equipment and disposal costs for products such as tyres and personal computers.

It is not the intention nor is it a requirement of the Procurement Guidelines on Environmental Management that purchasing decisions are primarily based on the lowest initial purchasing price. As stated in the Procurement Policy, achieving value for money is to be the basis for all purchasing decisions. It is up to each agency to determine the criteria that are appropriate for its requirement that will achieve value for money. Price may be the major factor in some instances, for example certain pharmaceutical products may be decided primarily on price.

Recommendation 6

The Committee recommends that the Government establish whole-of-Government and departmental leadership on the issue of environmentally sustainable procurement by identifying the persons or bodies that are best placed to promote the Government's goals.

SUPPORTED

The State Contracts Control Board, established under the *Public Sector Employment and Management Act NSW 2002*, is responsible for the acquisition and disposal of goods and services for the public sector. The Board, comprising agency CEO or Deputy CEOs, provides whole-of-Government leadership. The Board is supported by the Department of Services, Technology and Administration (DSTA) and includes representatives from NSW Treasury and the Department of Environment, Climate Change and Water (DECCW).

DSTA is responsible for procurement practice, including guidelines, procurement systems and whole-of-Government contracts. With support from DECCW, DSTA provides and promotes correct procurement processes for incorporating sustainability into whole-of-Government state contracts where appropriate.

The Chief Procurement Officers' forum being established by DSTA is also a forum for providing whole-of-Government leadership on procurement matters including sustainable procurement.

DECCW is responsible for the Sustainability Policy and Waste Reduction and Purchasing Policy.

NSW Treasury is responsible for the Procurement Policy, and the State fiscal strategy. The Procurement Policy requires agencies to undertake whole-of-life costing analysis and use sustainable products where this is cost and performance effective.

The Government's procurement policy and goals are communicated on the NSW Government Procurement website. The website provides easy access to a wide range of procurement information that is aimed at assisting procurement practitioners in Government and the private sector. This includes the Sustainability Policy.

The NSW Government is represented on the Australian Procurement and Construction Council, a national body for procurement leadership, and contributes to a number of sustainable procurement implementation projects, including the development of standard sustainability specification criteria for suppliers and product standards.

Recommendation 7

The Committee recommends that the Government review how its procurement processes, including Greenbuy and the guidance available to staff, are being carried out so that it can ensure that staff are acting in accordance with its commitment to environmentally sustainable procurement.

SUPPORTED

Government agencies are accountable for implementing the Procurement Policy, Code of Practice for Procurement, Sustainability Policy, Procurement Guidelines on Environmental Management and for providing appropriate training for procurement officers.

The Procurement Policy provides the framework for agencies to achieve value for money from procurement whilst being fair, ethical, transparent and sustainable. The framework is readily available from the NSW Government Procurement website.

The requirements of the Sustainability Policy and Procurement Guidelines on Environmental Management are, where appropriate, incorporated in all State Contracts Control Board contracts.

The Government's Gateway Review System assists the public sector to improve its procurement practices and achieve better service results from procurement activity. It has been a requirement of the Procurement Policy since 2004.

Gateway Reviews are undertaken at key stages of the procurement cycle with the Strategic and Business Case Gates being mandatory. Reviews provide for an independent assessment that appropriate governance is being applied against seven key success factors including sustainability. The sustainability factor seeks to identify that the project will have social, economic and environmental benefits and asks how these benefits will be addressed and realised.

In June 2009, the sustainability factor was strengthened by giving environmental sustainability greater prominence through ensuring that projects being reviewed appropriately address the requirements of Sustainability Policy for building, fleet management, waste recycling and purchasing.

The Government will continue to review its processes and guidelines to ensure that environmentally sustainable procurement becomes the standard operating procedure for procurement of all goods and services by the public sector.

Recommendation 8

The Committee recommends that the Government establish opportunities for ongoing dialogue with suppliers, including:

- i) working together to develop sustainable solutions for agency procurement needs; and**
- ii) obtaining feedback on the environmentally sustainable procurement policies and practices of Government agencies.**

SUPPORTED

NSW Government procurement policies are an integral part of all tenders released by agencies. All tenders bidding for Government contracts are required to demonstrate support for environmentally friendly products and environmental sustainability. They must also include information on the company's environmental policies, practices and procedures.

The State Contracts Control Board is implementing strategies to identify and share information about opportunities for improving procurement practices. Mechanisms such as industry forums are held to encourage industry and agencies to provide feedback on procurement practices.

Government contract managers are employed to provide ongoing management of state contracts and regularly meet with suppliers. Support services are provided to contract managers to upgrade environmental performance of current contracts and assess feedback from suppliers on agency practices and policies.

Feedback on environmental criteria is routinely provided to contractors and suppliers, e.g. implementing energy efficiency programs, reducing greenhouse gas emissions and the use of environmentally friendly products. Contract specifications are sometimes developed in consultation between Government and relevant industry associations.

Expert Government environmental officers are represented on various Contract Review Groups established by Government for large whole-of-Government contracts, to provide advice and support regarding sustainability issues surrounding travel, data centre, office supplies and electricity, for example.

Recommendation 9

The Committee recommends that the Government require all agencies responsible for procurement to provide an annual assessment of their procurement systems against the UK Sustainable Procurement Task Force's Flexible Framework (adapted to NSW where required).

UNDER CONSIDERATION

The Government will give consideration to requiring agencies to provide an annual assessment of their procurement systems against the UK Sustainable Procurement Task Force's Flexible Framework. This recommendation will be considered within the context of the Government's policies of reducing red tape and improving efficiencies across the public sector.

The review of the Waste Reduction and Purchasing Policy will examine international developments such as the Framework and the scope for annual reporting to be included with other sustainability reporting requirements contained in the Sustainability Policy.

Recommendation 10

The Committee recommends that the Government work with other Governments, including the Governments of Australia and New Zealand in particular, as well as suppliers, industry representatives, environmental organisations and other relevant stakeholders to harmonise environmentally sustainable procurement processes, standards and reporting requirements.

SUPPORTED

The NSW Government is a signatory to the Australian and New Zealand Government Framework for Sustainable Procurement (2007) developed by the Australian Procurement and Construction Council and is working with other member jurisdictions to harmonise environmentally sustainable procurement processes, standards and reporting where appropriate.