

## **Embedding climate change and natural capital into procurement**

### **1. EXECUTIVE SUMMARY**

- 1.1. Climate change and natural capital (including geology, soil, water and biodiversity) should be central to any decision making process linked to procurement, if the Isle of Man is to achieve a net zero carbon Island by 2050. This consideration needs to be an integral part of any project and business case from the outset, including realising potential budgetary implications.
- 1.2. This change should be balanced against the overarching requirement for value for money (i.e. the monetary cost of the goods or services) which is often the decisive factor.
- 1.3. The feasibility of developing an Isle of Man Procurement and Commissioning Strategy should be considered, setting out strategically how the Isle of Man Government will use the mechanism of procurement to deliver on net zero carbon by 2050. This should be informed by an analysis (breaking down spend into headline categories) of where the carbon hotspots are across the annual procurement spend and the scope of influence to use procurement as a function and enabler to deliver net zero carbon.
- 1.4. The policy should be clear and simple, fully embedded in routine practices and procedures and those making procurement decisions will need to be fully aware of the issues and implications and have access to expert advice where needed. Developing a matrix approach as part of a wider strategy could support understanding and prioritisation of spend and actions including:
  - Quick wins – opportunities for setting / mandating minimum standards.
  - Marginal – low spend, low carbon (low priority).
  - Campaign – high risk but marginal spend, and hence where Isle of Man Government will need to work with others to transform the market.
- 1.5. Departments, Boards and Offices will need to be fully aware of their obligations under any new policy. Departments, Boards and Offices are likely to be responsible for requirements and to ensure compliance these will need to be included in specifications drawn up.
- 1.6. Procurement Services can assist by ensuring that environmental issues are considered in the evaluation process, but do not have the authority to enforce. It is the Treasury who have responsibility for the current procurement policy.
- 1.7. Costs will include training for all staff and potentially suppliers including a basic online package for those with minimal exposure and more intensive sessions for

staff regularly engaged in procurement and contracts. An estimated £250,000 for the first year and £100,000 for the second year could be allocated to facilitate a tendering process and development and delivery of anticipated provision. This is a ballpark figure which could go up or down once the scale and specifics are agreed.

## 2. CONTEXT

- 2.1. Climate change and biodiversity will need to be factored into all relevant procurement processes (which would include tenders and quick quotes) as a matter of urgency in order to align resources with priorities and encourage behavioural, business and cultural change.
- 2.2. Procurement policy currently requires Departments, Boards and Offices to consider whether proportionate application of sustainability and environmental values are required as part of tender evaluation.
- 2.3. At present there are Sustainability and Environmental Value provisions in the Treasury's Procurement Policy that was approved by Tynwald in August 2017. The Policy indicates that *"sustainability in procurement contexts considers awarding contracts that achieve value for money on the whole life basis in terms of generating benefits to Departments Boards and Offices but also to society and the economy whilst minimising damage to the environment. Environmental values are recognised as being an important contract award factor in their own right. Consideration of energy, production process, materials, waste and logistics are examples of areas where services and products may be differentiated."* *"All Departments, Boards and Offices will, as appropriate consider proportional application of sustainability and environmental values as part of the overall quality assessment in a contract award decision."* (Isle of Man Government, 2017).
- 2.4. Accordingly, there is already a base to work from going forward regarding environmental safeguards in procurement matters. Procurement criteria to reduce single use plastics was introduced in the Isle of Man 2018 and could form the start of the communications process for embedding zero carbon concepts (Isle of Man Government, 2018).
- 2.5. Before embarking on any procurement process (including full tender processes and quick quotes) Departments, Boards and Offices will need to think about how the services they are going to buy or the way they are going to buy them could secure benefits or cause harm to the environment and our carbon impact.
- 2.6. It has been suggested that frequently staff do not allow sufficient time to plan a procurement strategy, business case and specification before needing support from procurement services. As part of any staff training, Departments, Boards and Offices should understand the length of time and amount of resource they will need to allocate.

- 2.7. External assistance could be very useful in the light of the nature of this work and this would need closely aligning with local input. Responsibility for the roll out of this is eventually approved would need to be considered in due course.

### **3. ACTIONS**

- 3.1. Establish a Procurement and Commissioning Strategy covering: Where are we now? Where do we want to be? How do we use the mechanism of procurement to get there? What are the priorities? Who is responsible?
- 3.2. Develop low carbon category procurement guidance.
- 3.3. Include climate change and biodiversity in all procurement processes. This could be addressed by either the procurement policy being updated by Treasury with Tynwald approval or a new policy being developed solely to cover zero carbon emissions. Both options would need to be consulted upon before being introduced. This needs to link directly with the procurement policy issued by Treasury.
- 3.4. Explore options with officers from the Attorney General's Chambers joining any working group or committee looking at this together with Treasury if financial regulations changes are also needed. This is essential as they will be the people who will ultimately be assisting Departments and others who undertake their own procurement with compliance. Some organisations (for example the Isle of Man Post Office) have tailored financial regulations which would also need to be aligned, alongside any other organisation in the same position (Iompost.com, 2019).
- 3.5. Develop clear definitions of terms relating to climate change and biodiversity and measures of success.
- 3.6. Review consideration given to the whole life process of procurement and contracts.
- 3.7. Review the level of weighting applied to sustainability in tender award criteria.
- 3.8. Consider adopting and incorporating best practice from other jurisdictions.
- 3.9. Introduce mandatory training in zero carbon concepts for all staff with responsibility for procurement or tendering in all Departments Boards and Offices.
- 3.10. Introduce wider training for all staff, including those who will only come into contact with procurement very infrequently.
- 3.11. Establish a mechanism for providing oversight and an expert view on zero carbon concepts to provide challenge and support.

- 3.12. Detailed analysis should be undertaken to ascertain how the supply based can be brought along with the requirements (including financial incentives and training).
- 3.13. Explore options for supporting pre-procurement processes and contract management.
- 3.14. Ensure that any internal Sustainable Risk Assessment templates used to support pre-procurement decision making reflect net-zero carbon priorities (e.g. prompts and questions linked to specific procurement of goods and services).
- 3.15. Training sessions to ensure changes to processes are clearly understood by those involved in procurement (not just procurement teams).
- 3.16. 1-2-1 advisory support across some of the more significant procurement exercises to ensure appropriate consideration of net zero carbon goals across the procurement life-cycle.
- 3.17. Ensure that Departments, Boards and Offices factor in sufficient time and resources to factor zero carbon concepts into procurement processes. The procurement process should be fully owned and supported and not seen as a secondary issue in addition to 'day jobs'.
- 3.18. Review risks and opportunities on a category-by-category approach including risks and impacts of individual category procurement spend in the context of carbon and bio-diversity, scope to mitigate and capacity to influence and deliver outcomes.
- 3.19. To identify whether any additional resources (including both monetarily and staff) will be made available (or whether there will be the ability to secure additional resources) to assist in the preparation for and rolling out of these concepts including for the preparation of policy or guidance for training.

#### **4. RISKS**

- 4.1. That procurement decision making does not fully take net zero carbon goals into account.
- 4.2. That the requirement could be taken out of context and not applied in the spirit it is intended, for example there will be a balance to be struck between economies of scale, value for money, short term and preventative spend, range of suppliers, ability to deliver and appetite for risk.
- 4.3. That unintended consequences and complex interdependencies may be difficult to anticipate.
- 4.4. Small and social orientated suppliers may need additional help to adapt.

- 4.5. There could be a risk of fierce resistance to significant change from some existing suppliers. In many local markets there can be a very limited supply base.
- 4.6. When the new policy is introduced Isle of Man Government entities and also suppliers of services will need to be aware of the possible implications, for example increase in price of goods and services, possible reluctance of suppliers to bid if the zero emission policy is too onerous and reduction in the number of potential suppliers if they do want to be constrained by the policy. This risk can be mitigated by undertaking specific market engagement across key areas of capital and service spend and in doing so, get buy in from existing and prospective suppliers, but also using this to gain market intelligence on the capacity of the supplier base to support the Isle of Man to deliver on net zero carbon by 2050 goals. This would also help to understand any barriers ahead of planned procurement and help to shape procurement and commissioning.
- 4.7. Supplier collaboration and dialogue will be key to mitigating the above risks. It may take time for existing and prospective suppliers to modify and adapt existing service provision or business models, so communicating with the supplier base will be very important.

## 5. REFERENCES

Isle of Man Government Procurement Policy, 2017 - <https://www.gov.im/media/1358209/iom-government-procurement-policy-2017.pdf>

Single Use Plastics Reduction Plan for the Isle of Man Government, 2018 - <https://www.gov.im/media/1362336/isle-of-man-governments-single-use-plastics-reduction-plan.pdf>

Isle of Man Government Procurement - <https://www.gov.im/procurement>

Manx Utilities Procurement - <https://www.manxutilities.im/about-us/corporate/procurement/>

Iompost.com. (2019). Isle of Man Post Office. [online] Available at: <https://www.iompost.com/about/procurement-activities/> [Accessed 12 Dec. 2019].

UK Public Service (Social Value) Act (2012) - <https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>

Scottish Government Procurement and Climate Change Targets - <https://www.gov.scot/policies/public-sector-procurement/procurement-and-climate-change/>

Scottish Sustainability Procurement Duty - <https://www.gov.scot/policies/public-sector-procurement/sustainable-procurement-duty/>