

Environment and Sustainability Standing Committee
October 6, 2011

TO: Chair and Members of Environment and Sustainability Standing Committee



SUBMITTED BY: _____
James Cooke, Director of Finance/CFO

DATE: September 10, 2011

SUBJECT: Update – Sustainable Procurement

INFORMATION REPORT

ORIGIN

At a meeting held on February 2, 2011 the Environment and Sustainable Standing Committee asked for staff to look at awarding points for green initiatives during procurement tenders or at the very least eliminate wording in tenders that eliminate green alternatives. Staff provided a response in an Information Report dated March 15, 2011. Staff also committed to provide a further update on green procurement at a subsequent meeting.

BACKGROUND

In keeping with the shared vision of the future of HRM as a healthy, sustainable and vibrant community, in 2004 the Halifax Regional Municipality (HRM) partnered with The Natural Step to conduct a Corporate Sustainability Analysis. The final analysis identified three priorities:

- Green Procurement
- Green Buildings
- Green Corporate Culture.

Subsequently in 2005 The Natural Step produced Guidelines for Sustainable Procurement, a document that outlined The Natural Step Framework approach to sustainable procurement and its application. Both of these documents reinforced HRM's commitment to sustainable procurement

and provided a general framework within which to move forward. This report outlines HRM's Sustainable Procurement Program and includes supplementary information to that provided in the Information Report of March 15, 2011 and past and upcoming initiatives for Procurement staff.

DISCUSSION

Procurements' program to advance sustainable procurement is based on municipal best practice and has seven key elements as follows:

- Procurement Policy
- Tools and Procedures
- Communication and Training
- Supplier Engagement
- Collaboration and Leadership
- Performance Metrics and Monitoring
- Program Resources and Funding.

Procurement has taken an approach to build and expand on all of these program elements in a phased approach with the intent to embed sustainable operational practices within formal purchasing procedures.

Procurement Policy

HRM's Procurement Policy, Administrative Order #35, was amended in September 2009, to incorporate as guiding principles the key components of sustainable procurement. The Procurement Policy:

- Provides for the consideration of environmental, economic and social factors in procurement processes and decisions
- Embodies the concept of Total Cost Management requiring the total cost of purchasing including all relevant costs such as training, operation, disposal, and energy use be considered in purchasing decisions rather than the lowest invoice price
- Facilitates the procurement of goods or services for testing or trial use should the opportunity to use new and/or unfamiliar more sustainable products arise.

During past discussions with Council on policy revisions, staff acknowledged Council's interest in the development of ethical procurement policy. Staff also indicated that the development and implementation of ethical procurement policy in other jurisdictions had encountered barriers and challenges which, in turn, had led to a slower maturity of this policy than otherwise anticipated. As a result, it was concluded that it was prudent to continue to monitor best practice prior to developing procurement policy in this area. Sustainable procurement policy as adopted across Canadian municipalities has now matured to the point where there are a sufficient number of approaches and implementation experiences, primarily in the form of Supplier Code of Conducts

and associated minimum performance standards for both environmental and social working conditions, for staff to re-examine the opportunities to develop Procurement Policy in this area. This will require a more in-depth review of best practice, including consultation with other municipalities and stakeholders to determine if there is an approach that is appropriate for HRM.

Tools and Procedures

Procurement is developing a set of customized tools and procedures to support staff in making sustainable purchases. These tools are integrated into standard operating practices in a variety of ways.

An assortment of checklists, guidelines and filters are used to prompt and guide procurement and business unit staff in making sustainable purchases decisions. Checklists and filters are based on the general principles of the product lifecycle, or the concepts of reduce/reduce and recycle, renewable resources, resource efficiency and environmental certifications. Corporate wide guidelines exist for Catering and Corporate Meetings (requires Fair Trade products). The Fleet Right Sizing Filter for light duty vehicles is used to ensure that the right vehicle is selected for the intended operational requirements.

Overall, Procurement's approach has been to focus on a few key commodities and to embrace a variety of environmental and social elements of sustainability. This builds momentum and enables staff to become more comfortable with the concepts of sustainability. Samples of the key initiatives undertaken by Procurement are listed in Appendix A.

Standard contract clauses within all solicitation documents integrate sustainable practices into procurement requirements such as anti-idling, take back provisions to ensure end-of life stewardship, use of child labour, right to audit environmental claims, minimum paper usage and reduced packaging.

Some of the techniques used to integrate requirements for sustainability differ according to the method of procurement used. For tenders and quotations, sustainability requirements are succinctly and clearly articulated as detailed requirements which permit the evaluation of each bid against the stated criteria and specifications. All bidders bid on the same specification and the award is made to the lowest cost bid meeting specifications. Specifications cannot be overly restrictive so as to limit the number of suppliers unnecessarily, requirements must be standardized and the resulting purchases must meet business unit requirements. Within the procurement process, bidders may submit a request for consideration of an acceptable alternate. Specifications that provide for more sustainable products/services are incorporated into tenders and quotations on a regular basis.

Often sustainability requirements are articulated in terms of a standard or certification by a third party, such as EcoLogo, EPEAT, FSC, EnergyStar, Fair Trade, and LEED. Specifications are

reviewed continually in context of what the market has to offer in terms of a more sustainable solution to meet business unit requirements. This can be a slow and methodical process, as products may have to be tested to ensure they meet HRM's requirements or their claims to be "environmentally friendly" validated.

One notable exception to the traditional tender method is the Life Cycle Analysis approach used for the evaluation of tenders for light duty vehicles. This method incorporates two key environmental attributes, fuel efficiency and emissions into the bid evaluation. Emissions are evaluated using the Environmental Protection Agency Greenhouse Gas Emission Rating which provides a score for each vehicle relative to its emission rating. These scores are provided by the EPA and not subjective or arbitrary. The Life Cycle Analysis method also incorporates fuel consumption and the related costs into the bid evaluation process. The adoption of these methods follows a long period of trial and testing by municipalities to ensure they are credible.

For Request for Proposals (RFP), proponents describe how their services, products, or equipment can address and/or meet the specific needs of HRM. Proposals are evaluated based on pre-determined criteria, applied equitably to all proponents and are awarded to the highest scoring proponent. RFP's allows for the allocation of points based upon a variety of criteria and may include sustainability. HRM has used the RFP process selectively to secure strategic sourcing partners for commodity groups including cleaning supplies and most recently, office supplies. The intent of these strategic partnerships is to work with suppliers over a longer term, usually five years, to standardize requirements and to increase the overall sustainability of the commodity grouping. Engaging with strategic suppliers will help HRM to achieve common sustainability goals and promote product and services innovation. Currently, Procurement is participating in a print management initiative, a project to rationalize the number of printers, copiers, faxes and desktop printers by accurately inventorying the existing assets and surveying usage. The long term objective is to ensure better use of current technology and to potentially enter into a strategic sourcing partnership for print and copy equipment leases. Procurement is also currently seeking a long term supplier for the provision of office chairs. The specifications for the suite of office chairs consider fabric durability, material content (recycled materials/fabrics), ergonomics customizable to individual requirements, and reduced packaging. The standing offer will be coordinated with Health and Wellness to ensure individual workplace assessments are conducted for proper fit.

Within the RFP Process, sustainability may or may not be an evaluated criteria depending upon the specific nature of HRM's requirements. If sustainability is an evaluated criterion, it is related specifically to the required product. For all RFP's, a standard submission requires proponents provide basic general information on how they embrace sustainability within their own operations. This is used purely for information purposes. As next steps, Procurement will be focussing on the opportunities to collect and integrate this information from suppliers into the evaluation process. Supplier questionnaires and supplier sustainability scorecards are possible approaches.

Procurement will continue to look for opportunities to expand the use of the total cost management approach to the costing of products/services to include environmental and social costs beyond the initial invoice cost. Since these are relatively new approaches for Procurement, it is important to proceed cautiously to ensure that the methods adopted are credible and do not jeopardize the credibility of the procurement process.

Communication and Training

Procurement is delivering a communication and training strategy to get buy-in and generate momentum for the Sustainable Purchasing Program.

The communication program has to-date concentrated on some specific messages, namely, the procurement policy's commitment to sustainability, the availability of key resources, the implementation of strategic sourcing contracts and the celebration/acknowledgment of successes. These targeted messages have been delivered in a variety of ways including FAQ's, lunch and learns, team meetings, one-on-one sessions, and newsletter articles. As the program matures, the communication strategy will broaden to include a larger audience and could incorporate a more general theme of how individuals can contribute to sustainable procurement and their ability to reduce HRM's environmental impact. Ultimately, each audience should understand what sustainable purchasing is, their role in supporting the implementation of the sustainable procurement policy and their ability to encourage suppliers to consider sustainability.

To compliment the work of Procurement, the Finance Green Team was formed to communicate and promote the corporate vision of Green Corporate Culture. The team is tasked with raising the awareness of Green Initiatives and promoting participation in Green Projects among Finance staff. The most recent endeavour of the team was to ensure the new Finance offices in Alderney were as "green" as possible.

The training program for sustainable procurement has its foundation in The Natural Step framework which included a series of web based tutorials and workshops delivered to a core group of staff including Procurement and other business unit staff. For Procurement specifically, this was augmented with training sessions on such topics as green labels, green-washing, life cycle costing and LEED standards. Information sessions were held with such groups as Clean Nova Scotia and the Ecology Action Centre to provide staff with a broader sustainable perspective. Procurement staff also had access to the on-line sustainable procurement training developed and delivered by the Province.

Training efforts are now concentrated on ensuring that all procurement staff are well trained in the tools and techniques available to integrate sustainable procurement into purchasing decisions and processes and they are familiar with the wide range of resources available to support this. Efforts are directed to applying these tools and techniques to a few key commodities. As staff becomes more proficient in the use of these tools, there will be more targeted discussions with end users on their use within a broader range of areas. All training is focused on supporting staff

with resources and information needed to move forward with sustainability. Future training will be focussed on key end users within the business units.

Supplier Engagement

Procurement has developed an engagement strategy to ensure buy-in and to create strategic partnerships with suppliers. Staff actively work to engage suppliers to ensure an understanding of the Sustainable Procurement Program requirements and to generate early compliance with specifications and other program requirements. This also allows for feedback from suppliers. Dialogue with suppliers focuses on opportunities and alternatives to advance sustainability. Staff is always open to new ways of meeting HRM's requirements with innovative or new, more sustainable alternatives.

Staff talk to vendors in a variety of settings, including one-on-one meetings, supplier outreach sessions on particular commodities (i.e landscaping opportunity assessment), reverse trade shows, industry association meetings and information sessions. On a go forward basis, staff intend to develop training sessions and toolkit packages to assist in increasing supplier's participation in HRM's Sustainable Procurement Program. Enhancement of the procurement website to provide greater prominence to sustainable procurement will be incorporated in conjunction with other planned upgrades to the website in the near future.

Collaboration and Leadership

Procurement has always taken a collaborative approach to sustainable purchasing as demonstrated by early commitments to the Atlantic Canada Sustainability Initiative and partnerships with the Union of Nova Scotia Municipalities (UNSM) and the Municipal Sustainability Office. Procurement continues to demonstrate leadership and collaborate with procurement and municipal networks to raise awareness of sustainable purchasing, share resources and to further common initiatives.

Since its inception in early 2010, HRM has participated in the Municipal Collaboration for Sustainable Purchasing (MCSP) a collaboration of nine municipalities across Canada formed to benchmark purchasing programs against best practices, share experiences through municipal peer share exchanges and build relationships to promote further sharing and knowledge transfer. As a result of this collaboration, HRM's purchasing initiatives were evaluated using an online survey tool and opportunities for improvement were identified. It is noteworthy that the survey tool concluded that HRM was "making excellent progress in applying best environmental purchasing practices in all areas of operation". Benchmarking exercises with the MCSP have assisted in the development of the Sustainable Procurement Program outlined in this report. Procurement will continue to participate in this initiative, thereby accessing networking opportunities and technical information in key areas of sustainable procurement.

Procurement also participates in a variety of collaborations within Nova Scotia. MASH (Municipal, Academic, Schools and Hospitals) sector procurement professionals regularly meet to discuss issues of common interest within sustainable procurement. Currently, Procurement is working with the Province on a working group tasked with developing government wide specifications for clothing and uniform purchases. Once developed and adopted, purchases will be expected to meet or exceed all environmental, economic and social guidelines. The guidelines will be supported by a variety of tools and techniques including a glossary, tip sheet, evaluation criteria, tender clauses and a communication strategy.

The new provincial governance structure prescribed by the Public Procurement Act for municipalities reinforces a commitment to sustainable procurement. This will likely benefit HRM with access to procurement specification research and development.

Performance Metrics and Monitoring

As the Sustainable Procurement Program gains momentum, it will be increasingly more important to track, monitor and report on sustainable purchasing initiatives. Currently, tracking is facilitated through a log that records the progress of the sustainable purchasing initiatives advanced by Procurement. The success of the strategic sourcing contracts in achieving sustainability targets is monitored as the contracts progress. For next steps, Procurement will be reviewing opportunities to develop more formal performance indicators, verification systems and an overall reporting framework, being mindful that sustainable procurement is a relatively new field and that best practice is not well established.

Program Resources and Funding

Many initiatives within the Sustainable Procurement Programs have benefitted from funding from the Sustainable Community Reserve Fund. Funds from the Reserve have been used to complete a variety of endeavours including: commodity opportunity analyses (playgrounds); specification development (chairs); participation in training sessions and to implement product improvements (bulk lubricating system).

The Sustainable Procurement Program embraces the key elements required for success. As this is a relatively new area of development with limited best practice, collaboration with other municipalities and key stakeholders to identify common opportunities and develop strategies to overcome challenges will be important. Assessment of opportunities to use innovative purchasing tools and new green products will be conducted on an ongoing basis to determine if they are a good fit for the future.

BUDGET IMPLICATIONS

There are no budget implications associated with this report.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

No community engagement occurred in relation to this report.

ATTACHMENTS

Appendix A – Sustainable Initiatives Advanced by Procurement

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Appendix "A"

Sustainable Initiatives Advanced by Procurement

Strategic Sourcing Partnerships (RFP's)

Cleaning products and supplies*
Office supplies
Print management initiative (in progress)
Office chairs (in progress)
Logistics (under development)

Sustainable Products/Services (Tenders/Quotations)

Long life transmission fluids
Bulk lubricating system (Thornhill Stores)
Energy saving equipment and electronics
Toner cartridges
Graffiti removers
Carpet tiles
Paint, adhesives and caulking
Rechargeable batteries*
Paper products, printing materials
Tires (under review)
General construction and building maintenance requirements (under review)
Clothing (under review)

Process Improvements

Reusable totes to ship parts
Reusable canisters
Fax to email
Electronic bid submissions

*Municipal Finalist for Summit Magazine (Public Sector Procurement) Leadership in Green Procurement Award.