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Item No. 3

Halifax Regional Council
August 5, 2008

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

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Catherine Sanderson, CMA, Senior Manager, Financial Services

A handwritten signature in blue ink, appearing to be "D. Hubley", written over a horizontal line.

David Hubley, P.Eng., A/Director, Infrastructure and Asset Management

DATE: June 23, 2008

SUBJECT: Update - Ethical Procurement/Green Procurement

INFORMATION REPORT

ORIGIN:

Motion of Regional Council of November 20, 2007 that if an ethical/green procurement policy has not been established within six months, that staff update Council via a report on the status of this initiative.

BACKGROUND

In a report dated October 24, 2007, Staff provided Council with a progress update on sustainable procurement initiatives and the development of a sustainable procurement policy.

Council was advised that staff was closely monitoring best practice with respect to both procurement initiatives and sustainable policy while incorporating into current practice, where possible, aspects of sustainable procurement. It was noted that there was a strong movement of municipalities across Canada toward the adoption of this type of policy, however, there are significant challenges associated with its application, including financial implications, resourcing and consistency in approach. This has delayed progress in this area.

It was noted that as part of HRM's continued commitment to the principles of sustainability and the "greening" of the corporate culture, staff from all areas of HRM, are participating in the Atlantic Canada Sustainability, a collaborative project designed to build the capacity and momentum around sustainability issues in Atlantic Canada. Furthermore, the Corporate Sustainable Transition Team which is responsible for greening the corporate culture were actively promoting sustainable practices, policies, education and awareness through HRM. Procurement staff are members of this team.

The report further outlined many of the specific procurement initiatives underway that support the concept of sustainability and noted that staff would undertake to complete the following within the next six months to one year:

- develop a corporate organizational framework that promotes and guides sustainable procurement and includes:
 - amendments to the Procurement Policy to incorporate various aspects of sustainability
 - a committee responsible for overseeing sustainable procurement
 - a budget funding mechanism that reflects the increased costs attributable to sustainable procurement
- commence implementing the recommendations of the Business Systems and Control Group's review of HRM's procurement process
- augment existing staff resources to assist in business cases that outline and support opportunities for commodity based sustainable procurements (paper, IT, various supply contracts)
- continue to incorporate principles of sustainability in procurement practices and contracts and focus on education and training initiatives for staff.

DISCUSSION

In keeping with HRM's commitment to sustainability, procurement staff continue to work toward greening the corporate culture as members of the Corporate Sustainable Transition Team. This has included an intensive phase of plenary and break-out workshops designed to increase the level of

understanding of concepts and awareness of sustainability for procurement and other business unit staff. This understanding is now assisting staff implement sustainability using a commodity based approach for the procurement of goods and services. As an example of this approach, staff has integrated sustainability into a recent Expression of Interest for Cleaning Supplies and an RFP for Janitorial Services. Both processes require vendors to demonstrate a commitment to sustainability in terms of product provision, solid waste disposal practices and other sustainable business practices. Sustainability concepts will be an important evaluation criteria in both processes as staff look toward vendors to assist HRM attain its sustainability goals. It is noteworthy that staff retained expert coaching in developing the terms of reference for the Expression of Interest to ensure that vendors are empowered to assist HRM in meeting industry leading sustainable products and business practices.

Staff has also initiated a project to replace HRM's use of single use disposal batteries with the more sustainable alternative of rechargeable batteries where operational feasible. It is conceivable that this program could reduce the consumption and disposal of over 10,000 batteries per year. While it is estimated that this program will be cost neutral by year three, initial start up costs of chargers and batteries of \$50,000 are being funded on a one time only basis through the Sustainable Community Reserve.

Staff is continuing to explore more sustainable, long term opportunities to fund sustainable initiatives which often have incremental start up costs and increased long term operating costs than those currently in use. A Business Case for a Green Procurement Operating Funding to support the use of environmentally friendly 100% post consumer waste paper was submitted through the annual 2008/09 budget process. Due to other budget priorities the business case was not accepted. The business case will be resubmitted in future years. Staff resources were augmented for the preparation of this business case through funding from the Sustainability Community Reserve.

Finance has established a "Green Team" with representation from all areas of Finance to raise awareness of Green Initiatives. The team is to identify and implement initiatives that are relevant to Finance. The team's first project will be to reduce the use of paper within the business unit. This work will be done within Finance's current and future budget envelopes.

Staff has reviewed the existing Procurement Policy and will make recommendation on revisions to the policy later this year that give greater support to sustainable procurement. This course of action is consistent with the findings of the Business Systems and Control Group's review of HRM's procurement process that acknowledges that the Procurement Policy deals with Environmental Purchases but should be modified to allow for environmental disposal of assets.

The development of sustainable procurement policy continues to be an emerging trend. This is also acknowledged by the Business Systems and Control Group. To-date, only a few municipalities across Canada have ventured into this area of policy and all have adopted different approaches to the subject. Some approaches are more all encompassing than others. Since this is an emerging trend, the experience with this policy is extremely limited. Locally, the Province of Nova Scotia is committed under the Environmental Goals and Prosperity Act (2007) to the development and

implementation of a sustainable procurement policy by the end of 2009 in the recognition of the important role public procurement plays in creating sustainable prosperity. The development and implementation of this type of policy appears to require significant resources. Staff will continue to monitor best practice, with particular interest in the experience of the province, and will return with a business plan to secure the required resources at the opportune time. This will not impede HRM's ability to proceed on an ongoing basis with sustainable procurement initiatives. Staff believe this is a reasonable approach.

SMT recently endorsed a pilot project that would see the use of a filter to incorporate aspects of sustainability directly into the decision making process. The filter would gauge if selected purchases move HRM towards the committed vision of a healthy, sustainable, vibrant community and the degree to which an integrated systems approach has been applied. As part of this project, procurement will apply the filter to targeted commodities and services. It is anticipated that as this project progresses, any issues around approvals and funding arrangements will be addressed.

BUDGET IMPLICATIONS

Funds are currently available from the Sustainable Community Reserve, in project #CII00740 - Whole Systems Methodology, to assist staff in developing sustainable procurement practices.

The implementation of specific sustainable initiatives may impact operating budgets. A more detailed discussion of these impacts will be addressed in subsequent staff reports to Council on sustainable procurement.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ALTERNATIVES

NA

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

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