

# Making the case for sustainable procurement: the NHS as a good corporate citizen

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## Aims

This briefing aims to make the case for good procurement practice within the wider context of the NHS as a 'good corporate citizen'. It illustrates how procurement can be undertaken in a more sustainable manner and is intended for NHS staff responsible for procurement and also for trust boards and local authorities. It should help trusts prepare for the Healthcare Commission's assessment of this aspect of their performance.

This is one of a series of 'Making the case' briefings for NHS trusts and local authorities designed to increase

understanding of the impact of social, economic and environmental influences on health and health inequalities, and to promote effective action at regional and local levels.

## Introduction

The NHS is more than a provider of health services. It is the single largest organisation in the UK, employing more than 1 million people and spending more than £11 billion a year on goods and services (NHS PASA, 2002). The premise of current government policies is that this £11 billion is best spent in a way that supports the UK sustainable development agenda by contributing to environmental improvements and regeneration, and reducing health inequalities.

## What is sustainable development?

The UK government has defined sustainable development as 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs'. The five guiding principles of the UK's sustainable development strategy are:

- Living within environmental limits
  - Ensuring a strong, healthy and just society
  - Achieving a sustainable economy
  - Promoting good governance
  - Using sound science responsibly.
- (Bruntland, 1987; HM Government, 2005  
[www.sustainable-development.gov.uk](http://www.sustainable-development.gov.uk))

*Within these five principles, health is a fundamental element. The Department of Health is a key part of the government's Sustainable Development Task Force.*

This publication was commissioned by the Health Development Agency (HDA) but published after the HDA's functions were transferred to NICE on 1 April 2005. The publication does not represent NICE guidance.

## What is good corporate citizenship?

Good corporate citizenship is a mechanism through which organisations can deliver sustainable development aims and goals. (Sometimes it is also referred to as corporate social responsibility.) It means that the NHS – through its activities as an employer; purchaser; commissioner of building work; user of energy, waste and transport; and provider of healthcare services – should positively:

- Enhance the health and wellbeing of staff, patients, visitors and suppliers
- Improve the wellbeing of local communities, the economy and the environment through building relationships and minimising negative impacts
- Consider the wider impacts of purchasing decisions.

The aim of the good corporate citizenship agenda is, in the longer term, to help reduce health inequalities and achieve a healthier population, as well as to contribute to sustainable development objectives.

In other words, NHS organisations are now expected to use their role as powerful corporate bodies to act as a good corporate citizen and contribute to public health through their procurement practices. This could be through purchasing healthier food; developing local employment schemes; supporting local economies by opening up procurement contracts to local suppliers; minimising energy use and using renewable energy; managing waste in ways that minimise pollution; or building hospitals that have a positive impact on the health of the environment and of users.

[Sir Nigel Crisp, NHS Chief Executive, has identified the role of the NHS as a good corporate citizen as one of his five new priorities over the next 10 years.](#)

### National policy context

The Public health white paper *Choosing health* (DH, 2004) states that: 'As the country's largest employer, and with a total spend on food, goods and services which represent some 10% of regional economies, NHS organisations can and must make a significant contribution to the health and sustainability of the community they serve.'

Under the new system for assessing whether NHS organisations are meeting the national healthcare standards, the Healthcare Commission will eventually take account of trusts' performance as 'good corporate citizens' – including their procurement activities – in deciding on the annual rating they should be awarded (the relevant standard is Developmental Standard 13).

The government's strategy for tackling health inequalities

([www.dh.gov.uk/PolicyAndGuidance/HealthAndSocialCareTopics/HealthInequalities](http://www.dh.gov.uk/PolicyAndGuidance/HealthAndSocialCareTopics/HealthInequalities)) identifies a key role for the NHS as a good corporate citizen, whereby the NHS economy is used to support the regeneration of disadvantaged areas through employment, training, procurement and capital programmes.

The government's Sustainable Consumption and Production Framework stresses the need for public sector purchasing decisions to promote sustainable development, as well as contributing to objectives for sustainable communities, public health, employment, transport, waste and energy. The government's procurement policy objective is that 'all public procurement of goods and services, including works, is to be based on value for money ...' (defined as 'the optimum combination of whole-life cost and quality or fitness for purpose to meet the user's requirement').

([www.sustainable-development.gov.uk/publications/uk-strategy/uk-strategy-2005.htm](http://www.sustainable-development.gov.uk/publications/uk-strategy/uk-strategy-2005.htm))

*Securing the future: delivering UK sustainable development strategy* (HM Government, 2005) makes specific references to the use of public procurement as a tool to help achieve sustainable development objectives. It states that:

'Our new goal is to be recognised as amongst the leaders in sustainable procurement across EU member states by 2009'.

The strategy defines sustainable procurement as 'embedding sustainable development considerations into spending and investment decisions across the public sector'. To achieve this goal the government has stated a number of planned measures, including:

- Develop and maintain a robust evidence base on priority areas where sustainable procurement can deliver the most significant environmental and competitiveness outcomes by 2006
- Develop through consultation further public sector procurement targets in priority areas as revealed by the evidence base
- Extend the range of mandated products meeting minimum environmental standards (the 'quick wins' list)
- Improve compliance by public sector purchasers and enable suppliers to demonstrate compliance to these standards
- Embed sustainable development into the existing Office of Government Commerce (OGC) and NHS Purchasing and Supply Agency (PASA)
- Work with key markets and key public sector suppliers to raise their sustainability understanding and performance, using existing business support programmes where appropriate
- Develop key performance indicators for sustainable procurement activity through working across the public

sector, business and other interested parties

- Act to remove barriers to, and increase opportunities for, increased sustainable procurement activity.

The government also intends to appoint a business-led Sustainable Procurement Task Force to develop a national action plan for sustainable procurement across the public sector by April 2006.

## What is sustainable procurement?

Sustainable procurement provides a framework for using economic power in ways that benefit society, the economy and the environment (thus serving the aims of sustainable development). It is about looking beyond short-term costs to make more decisions based on whole-life costs, including social and environmental implications. It offers the opportunity to encourage manufacturers, suppliers and contractors to develop environmentally and socially preferable goods and services (often through collaboration) at competitive prices – thus making longer-term cost savings, sending clear signals to the market, and contributing to wider government agendas. It can also be about social aspects such as using purchasing power to work with small and medium-sized enterprises (SMEs) and to work towards regeneration and employment objectives.

Sustainable procurement is basically good procurement practice and is the process by which organisations buy supplies or services through taking account of:

- **Best value for money** – price, quality, availability, functionality, running costs, and other positive benefits such as development of markets and innovative products with additional environmental benefits
- **Environmental aspects** – improving the effects on the environment of a product or service over its whole life cycle, from ‘cradle to grave’ (raw materials, manufacture, distribution and packaging, use, and end-of-life disposal)
- **Social aspects** – support for local communities, regeneration, poverty eradication, international equity in the distribution of resources, fair and legal labour conditions, fairly traded<sup>1</sup> and with respect for basic human rights.

## Benefits of more sustainable procurement

Sustainable procurement leads to many mutually reinforcing benefits, including the following:

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1. Fair trade is an assumption of responsibility by an organisation for the labour (decent working terms and conditions) and human rights practices within its supply chain. It aims at sustainable development for all producers by providing better trading conditions and ensuring producers receive a fair price for their goods (covering production costs and providing a living income). It can also include business ethics such as paying on time, anti-corruption, etc.

## Environment

- More efficient and effective use of natural resources and the utilisation of renewables and alternative energies.
- Reducing impacts of pollution and waste and creating new forms of waste reduction.
- Encouraging more sustainable methods of processing and delivery.

## Health

- More nutritious food provided in hospitals can help patients recover more quickly (Jochelson *et al.*, 2004).
- Reduced exposure to pollutants, waste and hazardous substances can lead to improved human and environmental health.
- Health and environmental impacts of reducing greenhouse gases, which contribute to climate change.
- Using more local suppliers will improve the long-term competitiveness, prosperity and sustainability of local economies (and, in some cases, enhance the employability of vulnerable groups). This is a key factor in delivering effective regeneration.
- Increasing access to local employment through local procurement activities not only increases economic activity, but also improves health and wellbeing through job security and family income. Employment benefits not only the individuals employed, but also their dependants through increased income – which can lead to improved diet and better living conditions. This, in turn, may lead to a reduction in inequalities, crime and social exclusion.

## Savings and innovation in the marketplace

- Achieving efficiency savings through lower lifetime costs of purchases.
- Improving service delivery through better relationships with suppliers and innovative solutions to meeting procurement needs.
- Long-term efficiency savings through whole-life costing – saving money to reinvest in direct patient care or public health initiatives.
- Providing signals to stimulate the marketplace to encourage more innovation, sustainable products and operations.

Enhancing the local social, economic and environmental conditions has a positive impact on people's health.

## What has already been done?

Many trusts, hospitals and other NHS organisations are already progressing with a number of activities in this area.

### Food

The NHS is the largest single purchaser of food in the country, spending £500 million a year on meals for patients, staff and visitors (Coote, 2002). More sustainable procurement means healthier, more nutritious food, and often supports the rural community.

Organically produced milk takes five times less energy to produce than non-organic milk.

#### The Hospital Food Project ([www.sustainweb.org/hospital\\_index.asp](http://www.sustainweb.org/hospital_index.asp))

This two-year project with London Food Link, in partnership with the Soil Association, aims to increase the amount of local, seasonal and organic food to 10% of the routine catering provision in four London NHS hospitals (The Royal Brompton, Ealing, Bethlem Royal and St George's). It aims to help promote health in hospitals and support farm and food businesses in London and the South East. A 'replication network' has been set up to assist similar projects in other regions.

See *Good food on the public plate* (Sustain/East Anglia Food Link, 2003).

For details contact: [emma@sustainweb.org](mailto:emma@sustainweb.org)

More examples are provided in the recent HDA report on good corporate citizenship (Jochelson *et al.*, 2004).

### Other commodities

Sustainable procurement is not just about food. The NHS PASA has already developed framework contracts that include specification criteria to promote environmental improvements over the lifetime of a contract. Examples include:

- Copiers and faxes
- Furniture
- Fruit and vegetables
- Tea
- Green energy
- Cleaning materials.

In addition, the OGC provides a number of framework contracts that include environmental criteria.

#### South Downs Hospital

South Downs Hospital bought carpets provided by Milliken Carpet, which produces a wide range of OGC-approved, environmentally sustainable flooring. This includes a collection of modular carpets made from 85% recycled materials, which can be recycled at the end of their life.

## Use of targeted procurement

Purchasers have the option of adding targeted recruitment and training and other community benefits to the core package of works or services they are procuring, provided they have the necessary powers and policy framework and follow appropriate procedures. The community benefits then become part of the value-for-money calculation, and can be a contract condition.

#### Pilot study: community benefits in procurement

The NHS Capital Investment Unit (for the London Strategic Health Authorities) and the NHS North East London Workforce Development Confederation have obtained support from the London SHA Chief Executives to commission a pilot study that is part-funded by the Learning and Skills Council (London Central) and supported by the London Development Agency.

The pilot study will include:

- A full examination of the legal and policy basis for targeted recruitment and training in relation to health service contracts
- The development of model procedures and clauses for the achievement of community benefits from NHS procurement
- Opportunities for engaging NHS procurement policy officers and practitioners, including those dealing with private finance initiatives
- Consideration of how labour supply and training services will be organised and funded.

The output from the study will be a draft NHS community benefits in procurement toolkit, which will feed into the review of guidance for NHS procurement.

For details contact: Head of Capital Investment Unit, [duane.passman@nwlha.nhs.uk](mailto:duane.passman@nwlha.nhs.uk)

More examples are provided by Jochelson *et al.* (2004).

## Working with small and medium-sized enterprises

SMEs employ 12 million people in the UK, representing over 50% of the workforce. The NHS can use its purchasing influence to foster their growth.

## Groundwork Environmental Business Services (EBS)

Groundwork EBS in Merseyside is contributing to the developing NHS agenda of good corporate citizenship by developing the North West NHS Suppliers Bureau and its related integrated tendering programme. The aim is to enhance the ability of local SMEs to retain and secure NHS business, thus supporting economic development and the sustainability agenda by directing NHS expenditure into the local economy.

Suppliers are being supported to tender more effectively to NHS trusts by being:

- Given the opportunity to participate in a free business development training programme (delivered by an NHS procurement specialist)
- Given information and direct support to improve the quality and delivery of their business
- Issued with recognised NHS supplier standards for health, safety and environment (this will reduce use of resources and potential impacts within the NHS as well as in participating companies)
- Placed on a database of accredited suppliers that will be shared with NHS trusts and other public sector organisations
- Part of a North West NHS contractors' passport scheme, enabling employees of contractors and suppliers to the NHS to demonstrate their health, safety and environmental competence.

### The Fruit Shed

A small fruit and vegetable distributor in Knowsley was part of this programme, and as a result has won a prestigious health and safety award as well as securing a number of lucrative contracts.

For more information on this scheme, or for advice on setting up a similar scheme, please contact Groundwork: [mark.turner@groundwork.org.uk](mailto:mark.turner@groundwork.org.uk)

NHS PASA has calculated that over 60% of its suppliers are SMEs, and has initiated a number of 'meet the buyer' events and other support mechanisms, such as guidance and easier tendering procedures for their supply chain.

More examples are provided by Jochelson *et al.* (2004).

### *Working together*

The Welsh Procurement Initiative aims to achieve more efficient and sustainable public procurement across all sectors in Wales.

## Sustainable Procurement Programme

The Welsh Procurement Initiative has established a Sustainable Procurement Programme which aims to:

- Present the economic case for sustainable procurement and gain buy-in to the benefits of sustainable development and the role of sustainable procurement from both senior level executives and procurement professionals
- Increase the use of whole-life costing and provide practical steps to take in the first 12 months
- Demonstrate how a sustainable procurement strategy can be made meaningful and able to deliver benefits
- Provide technical information, tools and case studies, and help on specific contract issues
- Show how to gain benefits through early supplier involvement and dialogue
- Establish a means of assessing an organisation's level of sustainability and measuring its progress.

It has already produced *Buy now, don't pay later* (Welsh Procurement Initiative, 2004) and a self-assessment tool, and 40% of the Welsh public sector has signed up. These include the following NHS trusts with more expected to follow shortly:

- Conwy & Denbighshire NHS Trust
- North East Wales NHS Trust
- Welsh Ambulance Services NHS Trust
- Gwent Healthcare NHS Trust
- Velindre NHS Trust
- North Glamorgan NHS Trust
- North West Wales NHS Trust / NW Supplies Consortium

For details contact: [alison.standfast@wales.gsi.gov.uk](mailto:alison.standfast@wales.gsi.gov.uk)

Many local authorities are also working with healthcare organisations on issues such as health inequalities and sustainability.

## What can be done now?

- Ensure that a senior purchasing manager from your organisation attends the NHS Sustainable Development and Environmental Purchasing and Supply Forum (open to all English trusts – contact NHS PASA: [darian.mcbain@pas.a.nhs.uk](mailto:darian.mcbain@pas.a.nhs.uk)).
- Investigate sending staff on the NHS PASA sustainable procurement courses (detailed on page 6).
- Use NHS PASA or OGC contracts that have already taken into account and negotiated more stringent environmental criteria within the specification.

- Identify high environmental impact/risk contracts that are coming up for renewal, and set up a team to work together to examine increasing environmental and social aspects within the specification.
- Focus on outputs/outcomes in specifications to maximise value for money and innovation.

## What can you do in the longer term?

- When the good corporate citizenship self-assessment model is launched later this year (see page 7), ensure your organisation uses it as a tool to help prioritise action.
- Develop a procurement strategy that incorporates elements of sustainable development and identifies priority areas for attention, and secure Board-level support for it (see NHS PASA, page 6; [www.pasa.nhs.uk/sustainabledevelopment/environment/proc.stm#guidance](http://www.pasa.nhs.uk/sustainabledevelopment/environment/proc.stm#guidance)).
- Work with regional development agencies to open up procurement channels to local businesses and voluntary sector organisations.
- Work with your procurement hub or confederation to ensure sustainable development is one of their core considerations in making procurement decisions.

## Practical guidance and support

### Training

NHS PASA has developed training courses on sustainable procurement for all its staff, and is now offering training opportunities to the wider NHS.

#### Sustainable procurement training course

NHS PASA, with the Centre for Research in Strategic Purchasing and Supply at the University of Bath, has developed a sustainable procurement training course. Delegates will ultimately act as sustainable procurement reference contacts for the NHS.

The course objectives are to:

- Ensure that all buyers participating have a common understanding of sustainable development
- Participate in action learning through group projects involving teams of buyers from NHS PASA and the wider NHS, over an eight-week period
- Work together in 'virtual teams' using e-learning and online tutorials to develop key ideas and progress the projects
- Present group findings to other participants and interested parties, in the form of a 45-minute session on how to integrate sustainable procurement in practice – this information will then form a resource for the wider NHS.

For details contact: [darian.mcbain@pasa.nhs.uk](mailto:darian.mcbain@pasa.nhs.uk)

## Access to information

There is a wealth of existing practical information on sustainability and good corporate citizenship in the public sector. But dissemination of this can be problematic in a diverse organisation such as the NHS.

#### Advisory navigation tool

The London Regional Public Health Group and the NHS Capital Investment Unit (for the London Strategic Health Authorities) have developed a simple, easy-to-use *Advisory Navigation Tool (ANT)* to provide relevant links to websites containing sustainability information. Over 20 main topics cover information on:

- Green purchasing
- Private finance initiative and sustainability
- Education
- Waste
- Energy
- Community engagement
- Employment
- Housing
- Nutrition
- Noise
- Transport
- Biodiversity
- Measurement

and many more.

For details contact: Head of Capital Investment Unit: [duane.passman@nwlha.nhs.uk](mailto:duane.passman@nwlha.nhs.uk)

#### NHS PASA ([www.pasa.nhs.uk](http://www.pasa.nhs.uk))

The PASA website provides comprehensive advice and practical guidance on sustainable development for healthcare purchasing, and for supply professionals and suppliers to the NHS. The Agency has completed a guidance document on producing an environmental purchasing strategy ([www.pasa.nhs.uk/sustainabledevelopment/environment/proc.stm#guidance](http://www.pasa.nhs.uk/sustainabledevelopment/environment/proc.stm#guidance)), designed to help all NHS bodies meet the NHS Estates' target to produce a locally determined environmental procurement strategy. The guidance makes reference to the OGC/Defra joint note on environmental issues in purchasing. Also available is a practitioners' handbook on environmental purchasing, based on best practice thinking on environmental purchasing. Case studies are also available.

Available at [www.pasa.nhs.uk](http://www.pasa.nhs.uk)  
or contact [darrian.mcbain@pasa.nhs.uk](mailto:darrian.mcbain@pasa.nhs.uk)

## Resources

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### Web resources

- European Commission, 'Green public procurement'.  
[www.europa.eu.int/comm/environment/gpp/index.htm](http://www.europa.eu.int/comm/environment/gpp/index.htm)
- HM Treasury/Office of Government Commerce, 'Environmental issues in purchasing'.  
[www.hm-treasury.gov.uk/about/about\\_envpurchase.cfm](http://www.hm-treasury.gov.uk/about/about_envpurchase.cfm)
- Meat & Livestock Commission, Public sector specifications for cuts of beef, lamb and pork as a means of improving process standards. [www.britishmeatfoodservice.com/foodservice/product/specifications.html](http://www.britishmeatfoodservice.com/foodservice/product/specifications.html)
- Green Guide for Buyers.  
[www.sustainable-development.gov.uk/delivery/integrating/estate/procurement-guidance.htm](http://www.sustainable-development.gov.uk/delivery/integrating/estate/procurement-guidance.htm)
- Framework targets for sustainable development on the government estate procurement  
[www.sustainable-development.gov.uk/delivery/integrating/estate/estate.htm](http://www.sustainable-development.gov.uk/delivery/integrating/estate/estate.htm)
- The Department of Health is funding the Sustainable Development Commission's Healthy Futures programme ([www.sd-commission.org.uk/pages/work\\_streams/health.html](http://www.sd-commission.org.uk/pages/work_streams/health.html)) to develop the capacity of the NHS to act as a good corporate citizen. This includes the development of a good corporate citizenship self-assessment tool (see box below), as well as guidance on food procurement and capital developments.

### Good corporate citizenship self-assessment model for NHS organisations

The Sustainable Development Commission's Healthy Futures programme has been commissioned by the DH to develop a voluntary self-assessment model for NHS trusts on good corporate citizenship, to enable them to identify whether and to what extent they are contributing to the local community, economy and environment. The model is being developed around the domains of procurement, community engagement, employment and skills, transport, buildings/design, facilities management and waste, and will build on existing work in this area. Publication is expected in summer 2005 and the tool will be distributed to all trusts. Participation is voluntary, but the DH encourages its use as there is some crossover with the Healthcare Commission's assessment criteria on this subject.

For details contact: [larissa.lockwood@sd-commission.org.uk](mailto:larissa.lockwood@sd-commission.org.uk) or [susannah.senior@sd-commission.org.uk](mailto:susannah.senior@sd-commission.org.uk)

## What about the law?

All public bodies have to apply the *EC Procurement Directives*, which include detailed requirements for advertisement, specifications, selection of tenderers and award of contracts. The concepts of sustainable procurement do not contravene these directives as long as it complies with the principles of non-discrimination, equal treatment, free movement of goods and services and transparency. To further clarify this, the EU developed an Interpretative Communication in July 2001, detailing how community law offers numerous possibilities to public purchasers to integrate environmental considerations into public procurement procedures. The *Handbook on environmental public procurement* (EC, 2004) explains these issues in concrete and non-legal terms. It clarifies the legal possibilities

created by the public procurement directives which allow for environmental considerations in technical specifications, selection and award criteria and contract performance clauses.

- <http://europa.eu.int/comm/environment/gpp/pdf/gpphandbook.pdf> – EU handbook on environmental public procurement
- [www.ogc.gov.uk/index.asp?id=1000084](http://www.ogc.gov.uk/index.asp?id=1000084) – OGC page on all procurement legislation, EU and UK
- [www.europa.eu.int/eur-lex/en/archive/2004/l\\_13420040430en.html](http://europa.eu.int/eur-lex/en/archive/2004/l_13420040430en.html) – new procurement directives
- <http://europa.eu.int/comm/environment/gpp/background.htm> – background to EU policies on Green Public Procurement at EU level
- <http://europa.eu.int/comm/environment/gpp/legal.htm> – legal perspective

## Organisations

Better Hospital Food Programme	<a href="http://patientexperience.nhsestates.gov.uk/bhf/bhf_content/home/home.asp">http://patientexperience.nhsestates.gov.uk/bhf/bhf_content/home/home.asp</a>
Defra, Public Sector Food Procurement Initiative	<a href="http://www.defra.gov.uk/farm/sustain/procurement">www.defra.gov.uk/farm/sustain/procurement</a>
Department of Health, Food and Health Action Plan	<a href="http://www.dh.gov.uk/PolicyAndGuidance/HealthAndSocialCareTopics/HealthyLiving/FoodAndHealthActionPlan/fs/en">www.dh.gov.uk/PolicyAndGuidance/HealthAndSocialCareTopics/HealthyLiving/FoodAndHealthActionPlan/fs/en</a>
Department of Health, Health Inequalities	<a href="http://www.dh.gov.uk/PolicyAndGuidance/HealthAndSocialCareTopics/HealthInequalities">www.dh.gov.uk/PolicyAndGuidance/HealthAndSocialCareTopics/HealthInequalities</a>
National Institute for Health and Clinical Excellence (NICE)	<a href="http://www.nice.org.uk">www.nice.org.uk</a>
NHS Purchasing and Supply Agency (NHS PASA)	<a href="http://www.pasa.doh.gov.uk">www.pasa.doh.gov.uk</a>
Office of Government Commerce	<a href="http://www.ogc.gov.uk">www.ogc.gov.uk</a>
Sustain: the alliance for better food and farming	<a href="http://www.sustainweb.org">www.sustainweb.org</a>
Sustainable Development Commission	<a href="http://www.sd-commission.org.uk">www.sd-commission.org.uk</a>
Sustainable Development Commission, Healthy Futures Programme	<a href="http://www.sd-commission.org.uk/pages/work_streams/health.html">www.sd-commission.org.uk/pages/work_streams/health.html</a>
Waste & Resources Action Programme	<a href="http://www.wrap.org.uk">www.wrap.org.uk</a>

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