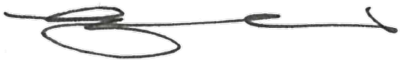
Organisational Guideline

Environment and Sustainability in Procurement Guideline

Corporate Plan references and Strategic Pathways	**Our Environment and liveability** **Our resilient economy** **Our strong community** **Our outstanding organisation**	
Endorsed by Chief Executive Officer		4 July 2022
Manager responsible for guideline	Manager Business & Innovation	

Introduction

The Corporate Plan 2021-2025 recognises Council's vision is to be Australia's most sustainable region: Healthy. Smart. Creative.

The Environment and Liveability Strategy 2017 provides the overarching direction to guide growth and deliver a healthy environment and liveable Sunshine Coast. A key direction in the *Environment and Liveability Strategy 2017* is to embed sustainable practices into council's own business and decision making.

A target in the strategy commits Council to being a zero emissions organisation (and low carbon community) by 2041.

Council's forthcoming Zero Net Emissions Plan 2022 (ZNE), supported by science-based research, confirms that Council's Contracting Activities (which form part of Scope 3 missions – indirect GHG emissions) account for approximately 20% of Council's overall GHG emissions in 2020/21.

In response, the ZNE Plan identifies a priority to incorporate sustainable procurement and circular economy principles into Council's supply chain and Contracting Activities.

The purpose of this Guideline is to outline Council's framework for and approach to conducting Contracting Activities in an environmentally considerate and sustainable manner, with the goal of reducing Council's Scope 3 – indirect GHG emissions.

Guideline details

The following parts of this Guideline outline the processes and activities that will be applied to Council's Contracting Activities in order to achieve being a zero net emissions organisation by 2041. This Guideline provides guidance on how to consider sustainability in the different stages of the procurement process, from identifying the business need to the end of the contract, including review and reporting.

Sustainability in Procurement

Council identifies Sustainability in Procurement critical to achieving its zero net emissions target. While sustainability comes in a variety of forms, Council officers should consider sustainability factors including:

a) the environmental and sustainability benefits and impacts for the whole lifecycle of products and services including manufacture, supply, use, maintenance and disposal;

b) procurement of environmentally responsible goods, services and assets;

c) goods and services that minimise resources and have reduced environmental impacts throughout their lifecycle, including:
   - reduced toxicity;
   - reduced packaging;
   - minimising waste to landfill;
   - greater energy efficiency and/or reduced carbon emissions,
   - greater water efficiency and/or reduced water use;

d) use of products made from recycled materials, recycled green organics and/or recycled plastic products;

e) provide an example to business, industry and the community in promoting the use of environmentally responsible goods and services; and

f) pursuing, leading and building a circular economy.

Circular Economy

Council is committed to building a circular economy, aiming to reduce social, environmental and economic impacts of purchased goods and services throughout their life. This includes consideration of waste disposal, cost of operation and maintenance over the life of the goods and services.

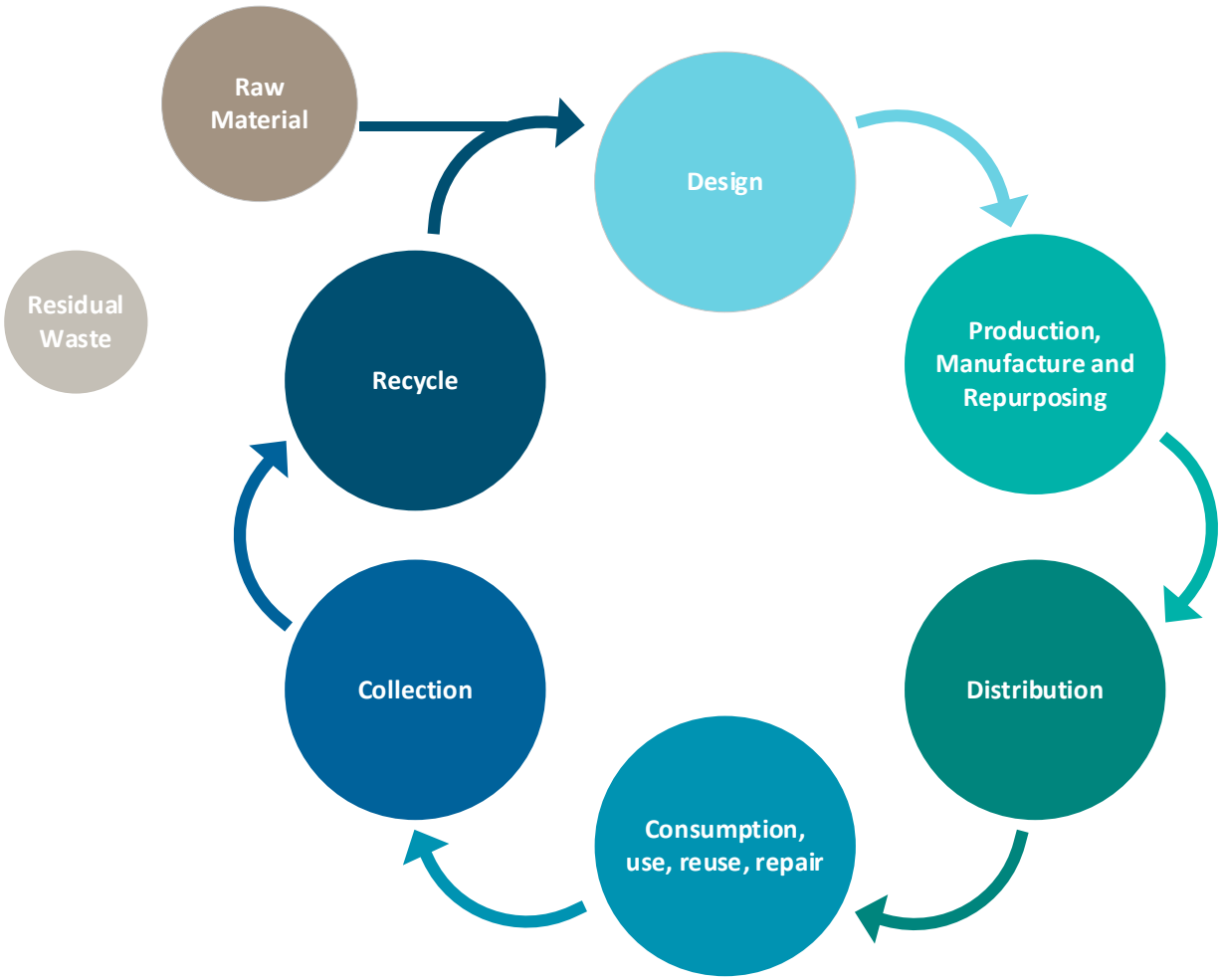
Benefits of a circular economy:

- Effective use of resources
- Increasing market opportunities for local business
- New jobs and skills capacity in local communities

Council has an opportunity to lead by example with its purchasing power and preference to purchase goods with recycled content where feasible.

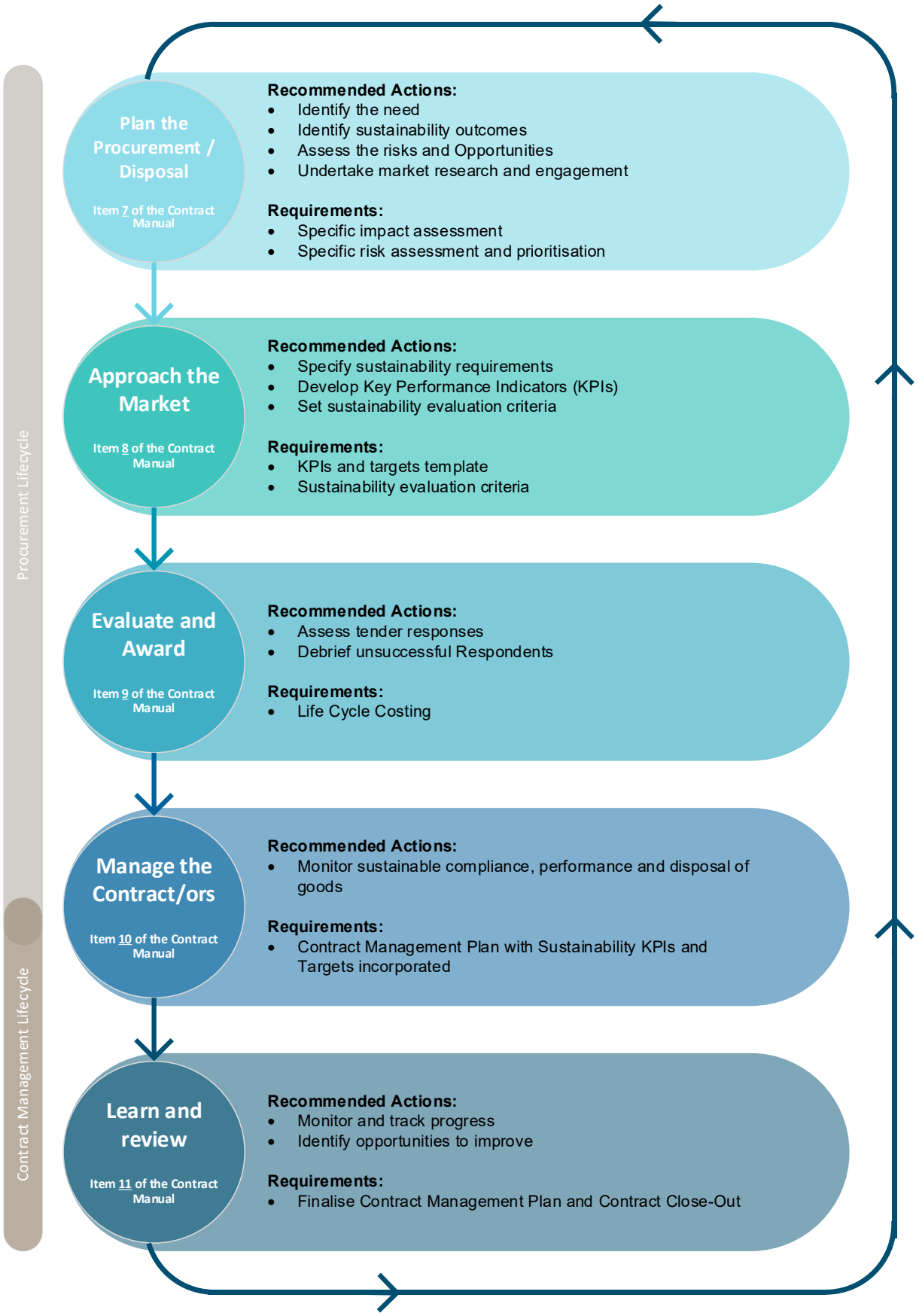
Consideration of these benefits are required when making procurement decisions in line with our obligation to spend public money efficiently, effectively, economically and ethically.

This will see most goods and services being continually used, reused, recycled and reprocessed as part of a circular economy (refer below diagram).



Application to Planning Procurement and Disposal Activities

Council will incorporate sustainability into its contracting activities, in the following manner:



1 Plan the Procurement / Disposal

1.1 Identify the need for the goods or services

Council can avoid and reduce waste by carefully considering the business need for the good or service. By employing demand management strategies, Council will avoid excess consumption and reduce unnecessary purchasing costs. Strategies to achieve this include identifying:

- alternatives to buying new including reusing, hiring or sharing goods or services; and
- functional and performance requirements at strategic and operational levels.

1.2 Identify and prioritise the sustainability outcomes

After confirming the need for the good or service, determine and prioritise sustainability outcomes. Council officers then need to identify approaches to realise these outcomes.

This could include considering:

- the environmental impact of the materials used;
- Material sourced from a verified recyclable resource; and
- Substitute material with a lower environmental impact.

1.3 Conduct a risk assessment and identify opportunities

Council Officers should use Council's risk framework and templates to conduct a risk assessment for the procurement, identifying sustainability risks.

The table below help identify risks when procuring recycled content. The questions may be adapted to suit other Sustainability outcomes.

Element	Key Questions to identify sustainability risk	Supporting Questions to identify sustainability risk
Organisational Need	Assess the need for the product, good(s), service or infrastructure. Can we avoid or reduce consumption? What alternatives exist to purchasing? e.g. reuse, recycle or hire	Are there other specific targets, objectives or policies that need to be met? Do we really need this? What other options are there? What specifications are required to improve sustainability outcomes?
Sustainability Outcomes	What is the scope for improvement ie to increase the tonnage/percentage of recycled material in this project? What are the cost benefits of introducing higher requirements for recycled content in this procurement? What are the potential environment and sustainability impacts related to this good or service? e.g. Use of fossil fuels, energy efficiency, waste, transport, are non-renewable resources required? Are there products that have lesser environment and sustainability impacts? How should Council consider the sustainability credentials of the supplier's business operations?	What are the major components in the purchase that could involve using recycled content What are possible mitigations to reduce the impact of any sustainability risks? Are there any reputational benefits of using recycled material? Where has the raw material being sourced, e.g. reclaimed timber, compost material or recycled plastic? What is the level of recyclable-content material? How far has it travelled e.g. local, national, or international? Are there environmental impacts with the item's manufacturing? Does it have any environmental or sustainability impacts during use? How will the item be disposed when it reaches the end of its life?

Market Analysis	Are products containing recycled material available on the market? Does the market have capacity to respond? Can the supplier manage the risk or opportunity? Are there alternatives that might offer reduced environment and sustainability impacts? Are there emerging alternatives? Eg new technology Is there capacity to specify environmental and sustainability requirements as either minimum (preferable) or desirable requirements?	Are there available products or materials using recycled content on the local, state or national market? Could Council encourage innovation around new products or services containing recycled content? And/or to build a local market? What emerging technologies or innovative approaches are available? Are the procurement specifications for environmental and sustainability considerations clearly outlined? Request detailed information about the manufacture, use, and disposal of the good(s)/service/infrastructure?
Cost analysis	What are the financial impacts from these sustainable impacts? Will it be cost-efficient to increase recycled content in the procurement? How will the environment and sustainability cost aspects be assessed? Which tool should be used when evaluating and comparing the whole-of-life costing?	Is there a financially sound (within budget) solution/product/service available on the market that can be used? How are the environment and sustainability cost aspects being addressed? Have the whole-of-life cost considerations been factored in during the final decision? Has the supplier provided evidence of their environment and sustainability management practices?

1.4 Undertake market research and engagement

Market research is undertaken to identify the available market for the goods or services being sought. This can include identifying alternative approaches for goods or services that could reduce sustainability impacts. Factors to consider include:

- eco-labelling
- sustainability certification
- membership of product stewardship schemes.
- the potential of emerging technologies
- goods that are under development to meet the procurement need and deliver improved environmental outcomes.

1.5 Engage with the market

Market engagement should be conducted and, where appropriate, in collaboration with a Procurement Specialist. Information Sessions and Supplier Briefings can identify Prospective Respondents and provide the market with a greater opportunity to identify sustainable solutions.

2 Approach the Market

Once the sustainability requirements for your procurement have been identified, the specific sustainability requirements should be incorporated into the procurement documentation. This will include outlining requirements within the Service Specification, incorporating Key Performance Indicators to measure success of the contracted sustainability deliverables, allocated portion of the evaluation criteria.

2.1 Specify sustainability requirements

The procurement documentation, should consider how to incorporate the sustainability priorities into the procurement.

The scope, scale and risk of the procurement will inform the degree to which sustainability requirements will inform the Procurement documentation. Incorporation in the documentation will include:

- **physical or descriptive requirements**, which specify characteristics of the goods or service (Eg. contain recycled content).
- **functional requirements**, which specify the proposed function for the goods or service to fulfil(Eg. specify the function of the surface of the road to be constructed).
- **performance requirements,** which define the performance standards to be met by the goods or service (Eg. percent of waste diverted from landfill, delivery of energy efficiencies and minimising GHG emissions).

Within your procurement documentation, requirements should be categorised as

- A **mandatory requirement** is a requirement that must be met (E.g. a Green Star rating).
- A **minimum requirement** sets the lowest level to be met and may be exceeded (E.g. a minimum requirement for packaging to contain at least 25 per cent).
- A **desirable requirement** sets a requirement for a goods or services provider that is wanted by Council but not compulsory (E.g. supplier having a zero net emissions plan).

Other consideration may be :

- **Rating and certification schemes** - can be used as a framework in capital work projects. These schemes have the benefit of allowing comparisons across multiple projects, verifying performance, supporting measurement of progress and helping to build capacity in government and industry.
- **Ecolabels, certifications, standards and product stewardship schemes** - useful in evaluating the environmental credentials of goods and services along with the environmental credentials of suppliers.

It is important that you are transparent about the key sustainability requirements and the evaluation criteria that will be used, to help potential suppliers develop their responses.

2.2 Key performance indicators

Contract performance management is considered as part of the procurement development stage where it is established how the performance of the contract will be managed. The identified performance measures are incorporated in the Specification or Scope as KPIs or other performance measures that are to be utilised in managing performance under the Contract.

Incorporating Sustainability specific key performance indicators allows a particular sustainability requirement to be measured and tracked throughout the duration of a contract. All KPIs should be reliable and repeatable without taking too much effort to calculate or monitor. It is important that KPIs and any measuring and monitoring expectations, roles, processes, or systems are detailed in the Contract.

2.3 Setting evaluation criteria

When developing your procurement documentation, evaluation criteria for Council's sustainability requirements are to include:

- **Qualifying** sustainability criteria may be used to set minimum standards for the procurement. These should be clearly articulated to ensure potential suppliers are aware and are treated equitably.
- **Rated** criteria are weighted to allow bids/proposals to be scored and ranked in order of merit.
- **Quantifiable** criteria are applied to prices to enable comparison between responses (Eg. energy

- consumption, carbon emissions or disposal of waste to landfill avoided).
- **Fit for purpose** criteria are used to identify and evaluate whether goods or services have limited performance, have higher repair or replacement costs, are over engineered or have unwanted functionality.

Evaluation criteria are weighted to indicate to prospective respondents the importance of the criterion to Council. Sustainability criteria weightings should be considered relative to other priorities for the procurement.

3 Evaluation and Award

3.1 Assess tender responses including value for money

The evaluation of submissions will be undertaken by the appointed evaluation panel detailed in the Probity Plan.

The Environment and Sustainability requirements outlined by Council in the Procurement documents will have been addressed by Respondents as part of their submission. This will form part of the criteria evaluated by the evaluation panel.

It is imperative to an effective, accountable, and transparent evaluation process that good and comprehensive notes are taken, and that individual evaluations are followed by a moderation to ensure that a consensus has been reached.

Council can access several tools to assist assessing whole-of-life costs of the procurement.

Two commonly used tools are the:

- Life Cycle Cost (LCC) model – which calculates the long-term costs for goods or a service, beyond the initial price for the procurement. It places a monetary value (where possible) to sustainability outcomes, such as carbon emissions, electricity, resource use, disposal or local air pollutants.
- Materials Circularity Index (MCI) - calculates how well the product is using recyclable material instead of virgin material, how much of the product can be reused or recycled, and how much waste will need to be sent landfill.

The Procurement Team, Commercial Analysis Team and Finance Branch can assist with considering the financial implications of responses, including application of the LCC and MCI models.

4 Managing the Contract

4.1 Monitor compliance and performance

The Contract, including any standards and specifications, along with KPIs and compliance measures (as identified in the procurement documents) should be reflected in the Contract Management Plan.

Council Officers responsible for administering the Contract should then monitor the supplier's performance against the contract requirements using the Contract Management Plan.

4.2 Disposal of goods

Council's Procurement Policy outlines the requirements for the disposal of Valuable Non-Current Assets (VNCA) with a value greater than $25,000. For items with a value lower than this threshold, it is necessary to consider the method of disposing of the goods, with the least preferable option being landfill.

Consideration should be given to dispose of goods and materials in the most environmentally preferred manner. This may include:

- re-purposing by adapting and using the item for a different purpose

- recycling collection services and centres
- recycle by specialist recycler (Eg. E-waste recycler)
- product stewardship scheme where the supplier or third party guarantees the goods will be recycled, refurbished or reused. (Eg. computers, televisions and tyres)

Consideration for the disposal method should be had when planning the procurement and incorporated into the Procurement Plan.

5 Learn and Review

5.1 Improvement opportunities

The contract management process provides opportunities for Council to work with the supplier to continue to improve sustainability outcomes. It provides a mechanism to raise any concerns or suggestions and allows the supplier to share ideas for new innovations, technologies or ways to improve sustainability.

5.2 Monitor and track progress

Council Officers should consider and report on procurement of recycled content and its use during contract delivery. Examples of items which may be reported on are:

- contract values (both dollars and percentage of value) of goods with recycled content
- amount of recycled content procured
- report on goods/services/contracts that have procured recycled content to calculate percentage of goods with recycled content purchased by Council
- amount of waste diverted from landfill, specified in percentage terms

Roles and responsibilities

Council Officers with a role or responsibility under this guideline are:

Chief Executive Officer is responsible for approving this Guideline.

Group Executive Business Performance is responsible for overviewing all financial management systems and services, including Contracting Activities.

Manager, Business & Innovation is responsible for implementing and maintaining this guideline. This includes reviewing and reporting on its effectiveness, Council's compliance with it, and recommending changes to improve its effectiveness.

All Managers are responsible for ensuring all Council Officers comply with this guideline when undertaking Contracting Activities.

All Officers are responsible for complying with this guideline when undertaking Procurement and Contracting Activities. Only officers delegated the authority to conduct Contracting Activities as per Delegation No 2 – Procurement and Contracting Activities and Payments Delegation are permitted to commence or bind Council in contract resulting from a Contracting Activity, and only within the limits of the relevant financial authority set in that delegation.

Definitions

The definitions in the Procurement Policy, Contract Manual and Contracting Plan apply to this guideline. Definitions specifically relevant to this Guideline include:

Whole of life costing means the cost of acquiring the product (including design and planning where applicable), installing or commissioning, training, operation, maintenance, and disposal of the product at the end of life. (Note: the lowest up-front cost may not be the cheapest over the life of the asset, particularly where products use power, water, fuel or other consumables, or have complexities associated with disposal, resale, recycle or disassembly.)

Circular economy means an economy that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

Circular economy aims to keep resources in use for as long as possible, by extracting the maximum value from them while in use, then recover and regenerate products and materials at the end of each service life

Related legislation, policies, strategies and documents

Public Sector Ethics Act 1994 (Qld)

Local Government Act 2009 (Qld)

Local Government Regulation 2012 (Qld)

2022/23 Procurement Policy

2022/23 Contact Manual

2022/23 Contracting Plan other guidelines for that policy

Sunshine Coast Council Corporate Plan 2021-2025

Environment and Liveability Strategy 2017

Regional Economic Development Strategy 2013-2033 (REDS)

Sunshine Coast Council Community Strategy 2019-2041

Australian Standard – AS ISO 200400:2018 – sustainable procurement

Sustainable Procurement Guide – A practical guide for Commonwealth entities (Australian Government)

National Waste Policy Action Plan 2019

Integrating Sustainability into the Procurement Process – Office of the Chief Advisor – Procurement

(Queensland Government)

Sunshine Coast Council – Setting a Science-Based Target and Emissions Scenarios