

IMPLEMENTATION OF THE SUSTAINABLE PROCUREMENT STRATEGY
WDA/46/08

Recommendations

That:

1. Members agree to adopt a whole life financial evaluation approach to the Authority's capital and procurement programmes; and
2. Members agree to endeavour to achieve the BREEAM Excellent Standard for new build and Very Good for refurbishment against a base case costing, and within the funding affordability envelope.

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Implementation of the Sustainable Procurement Strategy
WDA/46/08

Report of the Director

1. Purpose of the Report

- 1.1 To seek the Authority's approval to adopt and establish a whole life financial evaluation approach to sustainable options (Invest to Save) for its capital and procurement programme specifications; and
- 1.2 To seek the Authority's agreement to endeavour to achieve the BREEAM Excellent Standard for new build and Very Good for refurbishment against a base case costing.

2. Background

2.1 In April 2007 the Authority adopted a sustainable procurement policy and a principle upon which that policy will be implemented (WDA/13/07). The policy required that, by April 2009, as part of achieving level 2 of the National Sustainable Procurement Framework, all contracts were assessed for general sustainability risks and management actions identified. The Authority implementation principle was:

“A phased approach taking account of existing resources and budgets to establish a wider range of sustainable activities over the short to medium term. Priority will be given to sustainable procurement.”

2.2 In respect of the current WMRC and RRC contracts the Authority approved the evaluation criteria for submissions in respect of sustainability as forming 10% of the overall evaluation criteria (WDA/38/07). This ensures that sustainability forms part of the comparative assessment of participants' proposals. It does not, however, address the sustainability of the output specification on which the successful participant will ultimately have to deliver. Nor does it address the Authority's specification of works in its own capital programme.

2.3 The Authority has recently been awarded funded consultant support through Envirolink North West to progress our sustainable procurement programme to meet Level 2 (Embed) of the National Framework by March 2009.

3. Decision factors

3.1 Timeliness

OGC guidance on developing Green public private partnerships highlights that:

“Failure to consider green issues when developing a PPP/PFI project, means you can miss a once in a lifetime opportunity to reduce the whole life costs, since the contract may run for 25- 30 years; but potentially even longer given the asset life.”

The guidance further states that:

“There is a problem of perception that environmental technologies and materials are an expensive luxury that government cannot afford. This is clearly wrong. PPP projects have demonstrated that investing to deliver environmental improvements can secure not only best value for money through lower running costs but also health and social benefits such as better working conditions. The adoption of green outputs can also help to accelerate the development and take-up of green technologies – a sector of growing importance to the UK economy.

It is therefore in respect of the specification of capital investment within the WMRC and RRC contract that the Authority is in the position of establishing and locking in the whole life costs at this point in time.

3.2 Measurement

There are a wide range of parameters that determine the overall sustainability of a capital project within the capital investment programme including all aspects of the design, construction and occupation of a facility. It is, however, inappropriate for MWDA to develop a methodology for the determination of the weighting of the multiple criteria that constitute a capital programme as it is beyond the range of expertise of its officers. Therefore, in the Invitation to Submit Detailed Solutions for the WMRC and Invitation to Submit Outline Solutions for the RRC, the Authority has asked participants to produce proposals for new build based upon the Building Research Establishments Environmental Assessment Method (BREEAM). This method measures the environmental impact of a building throughout its life and provides authoritative guidance on ways of minimising the adverse effects of buildings on the global and local environments, whilst promoting a healthy and comfortable indoor environment.

BREEAM ultimately derives a score for a project based on the sum of scores from a set of weighted criteria developed by the BRE and results in one of four project ratings ranging from pass to excellent. This score is not assessed until

after the project is complete as the extent of the sustainable manner in which a facility is occupied is also a measurement factor. Currently the Authority's specifications are asking participants to endeavour to achieve the BREEAM Good Standard. Government have also adopted the BREEAM standard in relation to all new buildings for the Government estate. However in response to the Sustainable Development Commissions' report of 2008 the Government in March this year has committed to a principle that no new build will proceed for the Government estate unless to BREEAM Excellent Standard and refurbishment to the Very Good standard.

4. Risk Implications

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
Failure to address environmental, social and resource use impacts of the Authority's new build and refurbishment programmes.	3	4	12	Ensure the procurement and capital programmes addresses the requirements of the sustainable development and sustainable procurement policies and strategies
Failure to take the opportunity to reduce the whole life costs of projects.	3	4	12	Adopt Invest to Save whilst the overarching financial position remains unchanged and within the Authority's affordability envelope.
Perception that high environmental standards are not value for money	2	4	8	Identify the wider environmental social and economic benefits from sustainable procurement.

5. HR Implications

5.1 Implementation of the Sustainable Procurement Strategy will require training for staff to maximise the Authority's performance and the ability to manage the build and refurbishment capital programmes to appropriate environmental standards.

6. Environmental Implications

6.1 The introduction of higher environmental standards and addressing whole life costs will help to ensure that the Authority reduces its environmental impacts e.g. carbon emissions, consumption of natural resources, increased recycled content in building materials and used of reclaimed materials.

7. Financial Implications

7.1 In respect of the assessment of the environmental cost of projects and programmes the treasury green book guidance highlights the complexity of placing a monetary value on environmental, health, water, time, noise, and quality aspects of projects. The Treasury's preferred methodology therefore in these parameters is to ascertain consumers' willingness to pay (WTP) or willingness to accept (WTA) for an incremental improvement in service. The green book recognises the difficulties this poses projects where the consumer does not make direct use of the facilities concerned. This is, however, the position that the Authority is in with the public making no direct use of the principal capital project encompassed by both the WMRC and RRC projects.

7.2 Additionally, the Office for Climate Change highlights in its analytical audit of climate change that a number of mitigating measures will have a negative cost impact and the OGC guidance and Treasury Green book highlight the need to ensure that whole life costs are assessed in the evaluation of projects. In BRE research paper "Costing sustainability" case studies on a variety of building types suggest that whilst the standard achieved is building specific the achievement of the good standard can be achieved with an increase in capital cost in the range 0.4% - 6.9% and with an excellent standard achievable in the range 0.6 - 7%

8. Conclusion

8.1 In light of the above it is proposed that the Authority adopts a whole life financial evaluation approach to sustainable options (Invest to save) for its capital and procurement programme thereby using the contract period or asset life as the payback period for the basis of the adoption of sustainable criteria/specification. This concept would then also be applied during the life of contracts and facilities in that sustainable invest to save opportunities as they arise could be undertaken but the cost recovery periods would be reduced commensurate to the reduction in remaining contract period or asset life.

8.2 In addition to the above, and with consideration of the industrial and controversial nature of the Authority's facilities that, in respect of the Authority's

Capital programme or contractors capital programme, the Authority adopts a position of being willing to increase capital expenditure on its facilities by up to 7% to endeavour to achieve the BREEAM Excellent Standard for new build and Very Good for refurbishment. This will be set against a base case costing where an initial assessment is undertaken that suggests the additional expenditure will have a high probability of achieving the higher standards. The overarching Authority financial position in relation to its budget would remain unchanged in that the sum of all its projects would need to remain within the Authority's pre determined affordability envelope.

8.3 Whilst this does not go as far as central government's commitment to only build to Excellent Standard and Refurbish to Very Good, it balances the drive for ever greater sustainability with the Authorities adopted policy of taking a phased approach, taking account of the Authority's existing resources and budget.

8.4 The introduction of these recommendations will also help the Authority meet our target of reaching Level 2 of the National Sustainable Procurement Framework by March 2009.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.