

# MAKING SPEND MATTER

## Frequently Asked Questions 6

### Social and Environmental Criteria: Practical Steps



# INTRODUCTION

## About Making Spend Matter

The **Making Spend Matter Transfer Network**<sup>1</sup> is one of 23 transfer networks funded through the **URBACT Programme**<sup>2</sup>. Generally, the transfer networks are seeking to transfer an **URBACT identified piece of Good Practice**<sup>3</sup> associated with integrated urban development to other cities across Europe.

In the case of Making Spend Matter, the identified good practice is around the process of public procurement, and particular a methodology called spend analysis, which enables cities to measure where their procurement spend goes and subsequently work in cooperation with other partners and the market to progress the way in which they undertake procurement policy and practice.

The spend analysis good practice has been developed by the City of Preston in the United Kingdom over the course of the last seven years. Since 2018, Preston has sought to transfer the principles and practice of the methodology to six other cities: Pamplona (Spain), Vila Nova De Famalicão (Portugal), Schaerbeek (Belgium), Kavala (Greece), Bistrița (Romania), and Koszalin (Poland).

## About the Making Spend Matter Toolkit

The Making Spend Matter Toolkit ([www.preston.gov.uk/makingspendmattertoolkit](http://www.preston.gov.uk/makingspendmattertoolkit)) brings together guidance and learning from the network to enable other public organisations and cities to start / continue their own strategic procurement journey. The Toolkit comprises four parts:

- The first part explains how public organisations can take a more strategic approach to public procurement to help them deliver positive impact on their communities, economy and environment.
- The second part provides a spend analysis tool produced by CLES (a national organisation for local economies in the UK), and a guide (produced by Making Spend Matter partners) to help cities

analyse their procurement spend in terms of geography, sector and with different types of suppliers, and interpret their findings to help inform where changes can be made to procurement processes.

- The third part provides tips and guidance through a series of Frequently Asked Questions (FAQs) and infographics on a range of topics including from how to develop a strategic approach to public procurement, increase your engagement with Small and Medium-sized Enterprises (SMEs), embed social and environmental criteria and measure the wider impact of your procurement activities.
- The fourth part provides practical examples on the topics highlighted in parts two and three and other activities which partners engaged in during the lifetime of the Transfer Network.

## About Bilateral Meetings and FAQs

As part of the activities of Making Spend Matter, each of the partners has had the opportunity to participate in bilateral meetings on any of the themes of advanced spend analysis, business database development and SME engagement, and social and environmental criteria. There have been two meetings on each theme: the first being a 'how to' workshop; and the second focusing upon partner progress and wider case studies.

Over the course of the bilateral meetings, partners have asked a number of questions about the themes; the answers to which will be of interest to the partners which did not participate in the sessions and to other cities which are interested in adopting a more strategic approach to procurement. This Frequently Asked Questions (FAQ) document provides responses to common questions about the theme of social and environmental criteria.

<sup>1</sup> [www.urbact.eu/making-spend-matter](http://www.urbact.eu/making-spend-matter)

<sup>2</sup> [www.urbact.eu/](http://www.urbact.eu/)

<sup>3</sup> [www.urbact.eu/good-practices/home](http://www.urbact.eu/good-practices/home)

## Question 1

### What is green public procurement?

The European Commission defines green public procurement (GPP) as "a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life-cycle when compared to goods, services and works with the same primary function that would otherwise be procured." At its most basic, green procurement can mean buying energy efficient computers or organic food. At its most comprehensive it means systematically integrating environmental considerations into the whole procurement process, embedded in organisational policies, whether purchasing goods, services or works and regardless of the type of contract or form of procurement procedure followed.

## Question 2

### What is socially responsible public procurement?

Socially responsible public procurement (SRPP) is about achieving positive social outcomes in public contracts. By purchasing wisely, public authorities / buyers can promote employment opportunities, decent work, social inclusion, accessibility, design for all, ethical trade, and seek to achieve wider compliance with social standards. The 2014 Public Procurement Directives make it clear that social aspects can be taken into account throughout the procurement cycle, from preliminary market consultation, through to the use of reservations and the light regime, and to social award criteria and contract performance conditions.

## Question 3

### How can social and environmental criteria be included in tender documents?

Public authorities must ensure that their use of the criteria, like all requirements in tender documents, respects the laws and principles which apply. The following principles should be taken into account when using GPP criteria:

- **Transparency:** all bidders should be informed in the same way, at the same time; environmental requirements should be specified as clearly as possible, in order to enable objective comparison of offers.
- **Non-discrimination:** social and environmental criteria cannot be introduced in order to give an advantage to local or national suppliers.
- **Link all requirements with the subject matter of the contract:** contracting authorities cannot, for example, require a vehicles' supplier to use recycled paper in its administration or to serve organic food in its canteen.
- **Equivalent standards:** contracting authorities should always explicitly recognise and accept products complying with equivalent environmental specifications (as attested under equivalent certifications or schemes).

## Question 4

### Will it cost my department (or authority) more money?

Social and environmental procurement means making sure that the products and services a public authority buys achieves value for money on a life cycle cost basis and generates benefits not only for the organisation, but also for the environment, society and the economy.

All procurements, including those which have social or green benefit requirements, must be built upon best value for money principles. It is important, when assessing value for money, that the best outcomes for the community or environment are considered, as well as price and other non-cost factors, such as service and quality. Any supplier wanting to do business with public authorities in the EU needs to make a competitive offering.

## Question 5

### What is life-cycle costing (LCC) and how can LCC be used as part of public procurement?

When a public authority purchases a product, work, or service, it always pays a price. Purchase price, however, is just one of the cost elements in the whole process of purchasing, owning, and disposing. Life-cycle costing (LCC) means considering all the costs that will be incurred during the lifetime of the product, work, or service. The 2014 Directives are designed to encourage an increase in the use of LCC in public procurement. LCC is a method for directly calculating and comparing the real costs of different alternatives for use in procurement decision making. LCC is typically used at two stages of a procurement exercise:

- **Planning** – to assess the real cost impact of alternative options to determine the scope of a call for tender (e.g. comparing alternative vehicle technologies/fuels for a bus call for tender).
- **Tender evaluation** – directly comparing the life cycle costs of different bids.

The following costs may be taken into account, whether they are borne by the public authority or other users: (I) costs relating to acquisition; (II) costs of use, such as consumption of energy and other resources; (III) maintenance costs; (IV) end of life costs, such as collection and recycling costs; and (V) costs imputed to environmental externalities linked to the product, service or work during its life cycle (e.g. greenhouse gases and other pollutant emissions, or other climate change mitigation costs) if their monetary value can be determined and verified.

## Question 6

### What evaluation weighting should be given to social and environmental criteria or clauses?

There is no policy requirement to apply either a minimum or maximum weighting to social or environmental criteria or clauses. Weightings should be decided on a case-by-case basis, relative to other evaluation criteria and the outcomes being sought.

Weighted criteria can have a greater influence on suppliers, increasing the impact public buyers are likely to have. As with other contractual requirements, active contract management is critical to success.

For more information about weighting and evaluating clauses, refer to the Buying Green Handbook.

The table below provides some suggested criteria and ratios depending on the nature of the commodity/service being procured.

Purchase classification	Description	Suggested Price /Quality Ratio
<b>Routine</b> Not socially or environmentally critical items	Low value/high volume Many existing alternatives	80:20
<b>Leverage</b> High spend and profile of ICT products can mean high influence on suppliers	High spend area Many sources of supply Commercial involvement can influence social conditions	0:40
<b>Strategic</b> High spend and high supply risk, so these should receive the most attention	Strategically sensitive product area Few sources of supply Large spend area Supply chain may be particularly complex	60:40, 50:50, 40:60
<b>Bottleneck</b> Mostly specialised products that are critical to organisation	Few sources of supply and alternatives available Complex specifications If supply fails, impact on organisation could be significant	40:60, 10:90

## Question 7

# When can a public authority use Competitive Dialogue for social and environmental procurement?

Competitive Dialogue<sup>4</sup> may be beneficial where:

- Greater flexibility is needed, for example in highly complex and risky projects;
- A public authority is procuring innovative projects;
- A public authority is unable to specify its requirements e.g. its social, green or circular solutions and bidders may have a major role in defining the solution;
- A public authority cannot assess without in-depth dialogue on what the market can offer;
- The Open or Restricted Procedures may not deliver the expected outcomes.

A public authority cannot use this procedure when its requirements can be provided by many different market operators, or it is in an off-the-shelf service or supply. The use of Competitive Dialogue must always be justified, although there is no need to include that justification in the Contract Notice. Unlike the Competitive Procedure with Negotiation, here the specification requirements concentrate on the organisation's needs without having to detail the nature, characteristics or solutions to be offered.

<sup>4</sup> Competitive Dialogue is a public-sector tendering option that allows for bidders to develop alternative proposals in response to a client's outline requirements. Only when their proposals are developed to sufficient detail are tenderers invited to submit competitive bids.



Making Spend Matter is a network of 7 European cities, funded through the URBACT III Programme and the European Regional Development Fund, exploring how spend analysis can be used as an evidence base to improve public procurement and deliver wider benefits to communities and places.