

# Realising Aspirations



Or, Using Value for Money to  
Make the Public Sector  
More Sustainable

A report from the Accounting for Sustainability Group  
convened by HRH The Prince of Wales



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## CLARENCE HOUSE

I have long been concerned not only, like many others, by the damage caused to the environment through many of our activities, but also by the broader issue that so many decisions, taken at all levels and in all walks of life, have wider or longer-term consequences of which those taking the decisions are unaware or do not fully understand.

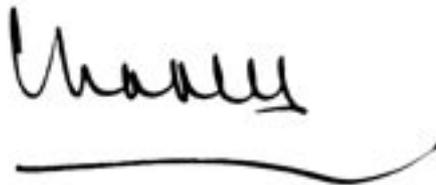
It is, of course, the essence of the concept of sustainability that we should consider what we do, not just in terms of ourselves and today, but also in terms of others and tomorrow. It is a concept which has increasingly wide currency, with support from the public and many expressions of commitment and good intention by the Government.

Nevertheless, many of our activities remain unsustainable and decisions are taken regularly to achieve objectives or cost-savings when the perceived gains are, in fact, far outweighed by longer term and wider costs. For example, farmers have been paid to apply chemicals to the land even though water companies then have to be paid to extract them from the water; money is saved by sourcing centrally even though the resulting unemployment and other support needed for local suppliers far outweighs the saving; old buildings are knocked down even though in the longer term it would cost far less (financially, socially and environmentally) to refurbish them - and so on and so forth.

These decisions are obviously not taken lightly or recklessly; it is just that we do not at present have a sufficiently resilient and generally accepted mechanism for taking wider and longer-term costs (and benefits) into account. And while there is much aspiration with respect to sustainability, and a large number of initiatives and projects, there has been to-date only limited practical progress.

It is for these reasons, and with the kind support of the Comptroller and Auditor General, Sir John Bourn, that I encouraged the establishment of a small cross-sectional "Accounting for Sustainability" Group last year. I asked the Group to see, in particular, what could be done to facilitate and encourage longer-term and broader perspectives in decision-making, which are, of course, the essential prerequisite to embedding sustainability into the way we work and live.

This report is the result of the Group's deliberations. The subject area is too vast and complex for definitive solutions to be offered, but I hope that the report is a useful contribution to the debate - and perhaps even a bit of a spur to action...

A handwritten signature in black ink, appearing to read "Charles", with a long, horizontal, wavy underline extending to the right.

# 1

## To whom is this paper addressed, and why?



- Government initiatives to increase the efficiency of the Public Sector can go hand in hand with those to enhance sustainability. Public Sector business managers and advocates of sustainable development therefore have common ground.
- Accountants have an important role to play in helping to demonstrate this link.
- The focus of this paper is on public procurement, as this is the area in which this link is most clearly understood.

This paper has been written for three groups:

- **Public Sector managers** – at all levels, from departments through to schools and hospitals;
- **sustainability specialists** – both those working within the Public Sector, and from independent sustainability groups;
- **accountants and auditors** – those working in or with the Public Sector, and those developing methodologies for taking sustainability into account.

Though not mutually exclusive, the first two groups do not often overlap. Public Sector managers already have a host of targets and agendas to meet – which they must deliver within budget, while demonstrating value for money. Sustainability may be one of a number of different policy objectives they have to take into account, and one they may see as inherently

leading to greater costs. Meanwhile, sustainability specialists often believe, especially when considering the potential effects of climate change, that sustainability ought to be the Public Sector's most important priority, and that it cannot afford to think differently.

The Government has clearly signalled the extent of its commitment to sustainability in its recent Sustainable Development Strategy. In his Foreword, the Prime Minister writes that the "Government will lead by example.... We want to ensure that we spend your money sustainably".<sup>1</sup>

At the same time, the efficiency targets announced by the Government in the wake of Sir Peter Gershon's Efficiency Review in 2004 might seem to risk increasing the potential divergence of priorities between full-time sustainability specialists and those who see it as more tangential to their everyday job.

Following the Gershon Review, public bodies have to deliver efficiency savings of over £20 billion by 2008. Can they really achieve this and increase their sustainable purchasing?

The answer is yes, because efficiency and sustainability can go hand in hand. In fact, the Gershon Review offers increased opportunities to mainstream sustainable procurement, given its potential to achieve greater efficiency. Hard-pressed business managers can welcome advocates of sustainability as their natural allies, while sustainability specialists can progress their objectives by using the language of value for money.

Accountants also have a central role to play not only in understanding, demonstrating and achieving the efficiencies that can be gained from sustainable practices, but also in the wider field of sustainability in general. To be successful sustainability depends on the generation, analysis, reporting

1 Securing the Future – The UK Government Sustainable Development Strategy, March 2005, CM6467, <http://www.sustainable-development.gov.uk/publications/uk-strategy/uk-strategy-2005.htm>

and assurance of robust and accurate information (both financial and non-financial). It is vital that the accountancy profession understands the concepts of sustainability, and the challenges and opportunities it poses in achieving long-term value for public money, and provides the systems and information required.

### **The focus of this paper is sustainable procurement**

As discussed in Section 3 of this paper, putting monetary values on wider, longer term and less tangible consequences of decisions is notoriously difficult, and as a result sustainable accounting is a nascent field, with many different approaches and much potential for future development.

One particular area, however, where there is already clear and practical scope for progress is procurement. When it comes to purchasing goods and services, organisations have clear calculations to make, based on a set of factors which should and can take into account aspects which go beyond fitness for purpose and capital and running costs. For example, in weighing-up which vehicles to purchase, an organisation should not only examine factors such as initial cost, maintenance costs, fuel costs and fitness for purpose, but also the impact of both carbon emissions and travel patterns on the local economy. In this way, procurement activities should naturally be focusing organisations on the wider and longer term costs and benefits of their decisions.

### **What is in this paper?**

The paper is focused on Public Sector procurement – on making it more sustainable, and saving money at the same time. It has three main sections:

- What is sustainability, do people want it and how can the Public Sector make a difference?
- The barriers – and how to overcome them.
- Suggestions for action.

# 2

## What is sustainability, do people want it and how can the Public Sector make a difference?



- Sustainability means taking into account the wider and longer term consequences of decisions.
- However, there are considerable practical difficulties.
- The public is keen that there should be greater attention to sustainability issues and believes that it is principally the Government's responsibility.
- Public sector procurement has a significant role to play in increasing the sustainability of the UK economy and fulfilling this responsibility.

## What is sustainability?

Sustainability means thinking about the impact of economic activities – things bought, investments made, waste thrown away, pollution generated – on the natural and human resources on which they ultimately depend.

It means ensuring that the productive capacity of these resources is not irreparably damaged, or that they are not depleted faster than they can be replenished. To put it another way, an activity is unsustainable if, when continued, it would undermine and eventually exhaust the basis for its own existence. In practical terms, this means taking into account the consequences of economic decisions on the natural environment, on regional economic development, and on the social conditions in which people live and work.

Sustainability is, consequently, a concept with an enormously wide application, and with, in principle, enormous appeal. If activities are unsustainable then the world will be left a poorer place for future generations. Why, then, is there so much unsustainable activity?

Every day, thousands, perhaps even millions, of decisions are taken which will affect the lives of people who had no direct role in taking those decisions. The decisions range from issues such as the building of a new airport or a new hospital, to a change in the opening hours of a library. Even when taken for very good reasons, these decisions will usually have unintended or hidden effects.

People can take decisions without realising that they themselves will later pay a high cost. In other cases the costs will fall on people who were not part of the decision process. Economists call these latter costs

'negative externalities'. The problem often is that costs which threaten sustainability are either not known or not given full consideration. When the costs become apparent, the activity may collapse or be seen to be too costly to continue. History has provided many examples where an activity thought to be sustainable was, in fact, unsustainable. A good example is that of over-fishing. The Canadian cod fisheries in the North Atlantic used to be among the richest in the world, but as a result of a short-term approach stocks collapsed in the 1990s, and the industries and communities which once profited by them have suffered accordingly.

The case of over-fishing clearly demonstrates how economic activities have an impact on the environment, which can have a corresponding impact back on the economy, and which in turn can have an impact on local communities.

That is to say, an economic decision – for example, to buy the cheapest goods rather than those from local suppliers – will often have major knock-on effects on the local economy and community. What may seem to make economic sense in the short term to those making the decision, may in the long run end up costing much more to society as a whole. Sustainability is all about taking these knock-on effects into account at the time the initial decision is made.

This is not to accuse decision makers of recklessness. Knowledge is hard to acquire and decisions always have to be made on the basis of incomplete information. Consider the issue of CFCs, now known to damage the ozone layer. However, when CFCs were introduced in the late 1920s it was considered not only a major scientific breakthrough but an advance in sustainability. Previously, cooling systems had used a range

of toxic gases, which sometimes led to fatal results. CFCs are inert and non-toxic, and so were considered an immense improvement on what preceded them. In these respects they were. Now it is known that they also have very serious hidden costs, but it has taken decades to discover this.

Activities which are so unsustainable that they cause themselves to collapse in the short term are, thankfully, relatively rare. More common is a situation where an activity is carried out in the way it is only because the real costs – known or unknown – have not been taken into account in assessing its desirability or feasibility. To take another example, some years ago a number of bus companies began to phase out bus-conductors, replacing them with driver-only buses, collecting fares as people boarded the bus. The business case for this was no doubt very strong. The saving of the conductors' salary and a higher

collection rate for fares would have been very appealing to the company accountants. However, this policy considerably slowed buses down, especially during the rush hour, with the buses stationary at each stop while passengers queued to pay. But not only were the buses stationary, so very often were the cars behind them, unable to overtake on crowded city streets. This increased congestion, pollution and irritation, and a decision, perfectly sensible in business terms, had much wider negative social costs. These costs did not fall to the bus companies, but were more than apparent to everyone else.

The first step towards accounting for sustainability is to attempt to come to an understanding of all the potential costs and benefits of an activity and its alternatives. Once this is done a fully informed decision can be made. However it is one thing to have the information; it is another to

be able to afford to act on it. While there may be a growing consensus that sustainability is an enlightened goal, there is also a common belief that it costs more money. Choosing organic food, ordering from small local suppliers, buying renewable energy: to many people, not least Public Sector managers, they are often seen as luxury choices, more to do with lifestyle preferences and less to do with business decisions.

Such views are understandable, in that sustainability can involve higher initial costs. But this is not the end of the story. Sustainability is about avoiding short-term behaviour that can lead to costly consequences in the future, and therefore has value for money at its core. In other words the most sustainable option should also be the option with the lowest costs in the long term.

The sustainable option can be the least expensive or cost neutral even in the short term, for example when buying recycled paper or toner cartridges. In other instances it may cost more in the short term, but at least the organisation incurring the initially higher cost receives the cost saving in the longer term. Buying energy efficient buildings and equipment is an example of this.

A more difficult example is when the benefits of acting in a sustainable manner fall not to the organisation meeting the costs but across the Public Sector or society more generally. Enabling sustainable decision making under these circumstances is a serious challenge. Yet governments have a duty to act in the general public interest and governments themselves have special reasons to act in a sustainable way. One example is where an individual public body bears the costs, but

saves money across the Public Sector. This includes subsidising public transport, thus enabling key workers to get to their workplaces, reducing congestion, and improving air quality. Another is where the Government buys renewable energy, thereby mitigating global warming and, as a result, preserving the environmental basis of economic and social life.

Of course, within the Public Sector there is always only a limited amount of money available to spend at any one time, just as is there is within the wider economy. This means that, other than when buying sustainably yields an instant saving or is no more expensive in the short term, it is obviously impossible for public bodies to pursue all the potential opportunities for sustainable purchasing available to them. Each organisation must necessarily prioritise among a number of choices, giving proper weight to the potential

for long term savings and wider benefits for each option. But this also means that public bodies should consider in some cases whether they need to make a certain purchase at all. Being conscious of the environmental impacts of its activities may lead an

As the Government's new Sustainable Development Strategy underlines, sustainability can make solid business sense. In the private sector, for instance, "Some 85 per cent of studies on the subject show a positive correlation between environmental governance... and company financial performance. Managing sustainability performance can improve risk management, identify cost savings, improve reputation and aid communication with shareholders and other stakeholders."

*Securing the Future - UK Sustainable Development Strategy, CM6467, March 2005*

organisation to question whether it really needs everything that it is planning to purchase. Choosing not to buy something, or to buy less of it, may sometimes be the most sustainable option – and one which yields an instant saving.

### Do people want more sustainability?

The answer is a clear "yes". As part of this review, the National Audit Office engaged MORI in early 2005 to survey the public's attitudes to sustainability. The full report of this survey is available on the internet: [www.princeofwales.gov.uk/speeches/asg.html](http://www.princeofwales.gov.uk/speeches/asg.html). It shows that 70 per cent of people are concerned about non-sustainable activities, with 85 per cent agreeing that we "cannot afford **not** to look after the environment".

### How can the Public Sector make a difference?

The Public Sector has both the duty and the opportunity to make a difference. As the MORI survey indicates, the public believes that the Government has primary responsibility for tackling environmental issues.

Sustainable thinking ought to come naturally to the Public Sector, since it is Government that has the overall job of representing the interests of communities. It is also the taxpayer that tends to pick up the bill when local environments are spoiled, local economies decline, and local communities are beset with social problems.

When it comes to acting sustainably, the role of Government is not confined to regulating the economic activities of private companies and individuals, or responding to their social and environmental impacts. Government itself is a major economic player. Public Sector procurement – the purchasing of goods and services by all types of Government body – has a significant role to play in increasing the sustainability of the entire economy.

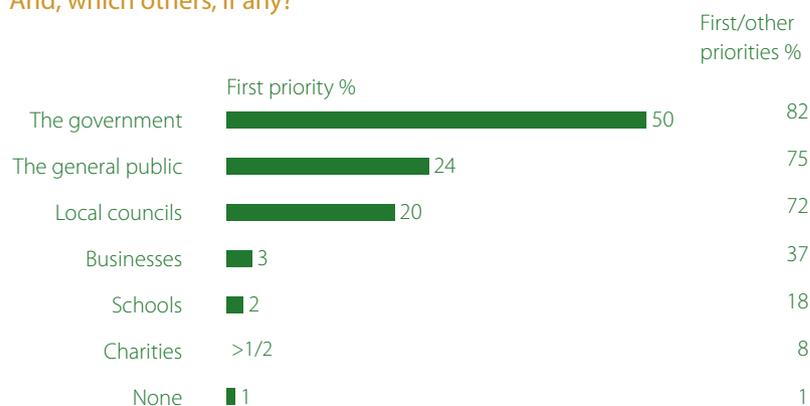
The Public Sector combined has an enormous purchasing power. Altogether the UK Government buys £13 billion worth of goods and services each year, with this figure rising to £125 billion when the wider public sector is taken into account.<sup>2</sup> Government influence through its spending is arguably on a par with its influence through policies, taxation, and legislation.

### MORI survey on attitudes to sustainability

For this pamphlet the National Audit Office engaged MORI to survey the public's attitudes to sustainability – including opinions as to what actions Government ought to be carrying out. The full report of this survey is available on the internet: [www.princeofwales.gov.uk/speeches/asg.html](http://www.princeofwales.gov.uk/speeches/asg.html).

■ One of the themes covered by the survey was the question as to **who has responsibility for tackling environmental issues**. This showed that people look to the Public Sector, in particular central government, to take a lead:

**Q From this card, which one do you think should be mainly responsible for tackling environmental issues? And, which others, if any?**



*Base: All respondents (2,017), 17-21 February 2005*

2 Securing the Future – The UK Government Sustainable Development Strategy.

Over four in five (82%) state that the Government should be responsible for tackling environmental issues, with 50% stating it should be mainly responsible. In addition, seven in ten (72%) state that local councils should take responsibility. A similar proportion said that the general public should take responsibility. In contrast, less than four in ten (37%) state that business should be responsible, with only 3% believing that the private sector should be mainly responsible.

- On the question of **what should be the priorities for the Government**, the survey identifies providing financial support to activities that can help the environment as people's first priority, followed by regulation. A significant minority also prioritise: paying for information campaigns; leading by example through procurement of sustainable goods and services; and using taxation as a tool.
- Overall, the survey highlights **a consistent message that the public care strongly about protecting the environment** – for example, three times as many people said the environment was personally important to them, compared to those who said the same for economic growth.

- The strength of this goodwill towards acting sustainably might contrast with the widespread persistence of unsustainable behaviour. But it also suggests that, where it is made easy for people to act sustainably, they will naturally tend to do so.

### Conclusion

- If the general public care strongly about protecting the environment, this will be reflected in the attitudes of Public Sector staff. Senior managers ought to acknowledge this – and use it as an opportunity to make their organisations more sustainable.
- Government ought to concentrate on making it easy to choose the sustainable option – making both the processes simple and the costs competitive.
- All things being equal, the public prefer to be environmentally friendly: thus there are competitive advantages for all sustainable products which can compete on costs.

*Conclusions are the work of the Accounting for Sustainability group, not MORI.*

To take one example, central civil Government buys 21,000 tonnes of copier paper each year. A Government-wide commitment to buy recycled paper would save 350,000 trees, enough energy to heat 10,000 average homes, and 300 million gallons of water every year. Waste would also be greatly reduced – an existing contract of the Department for Transport, for instance, has already saved 11,500 tonnes from going to landfill.<sup>3</sup>

Public Sector procurement is, then, a very special case.

- The public expects Government to take a lead, and, leading by example, it can be extremely effective.
- Public Sector procurement makes up a significant part of the UK economy.
- Procurement is the area where sustainability is currently most practically integrated into public policy.

Public sector procurement has the potential to influence the whole economy in a more sustainable direction. It can do this in three ways.

- By **sending a clear message** by buying sustainably – in other words, practising what it preaches.
- By the **direct effects of its purchasing decisions** in themselves – on the environment, regional development, and social conditions.
- By **stimulating the market** for sustainable products and services, making these more economic to produce, and hence increasing the general demand for them.

The new UK Sustainable Development Strategy acknowledges the role to be played by Public Sector procurement. In his Foreword, the Prime Minister writes that the "Government will lead by example... We want to ensure that we spend your money sustainably". Elsewhere in the Strategy, the Government announces its new goal of being recognised as amongst the leaders in sustainable procurement across EU member states by 2009. The Strategy further announces a new, business-led Sustainable Procurement Task Force, to develop a national action plan for sustainable procurement across the Public Sector by April 2006.<sup>4</sup>

4 Securing the Future – The UK Government Sustainable Development Strategy.

# 3

## The barriers – and how to overcome them



- Why isn't public procurement more sustainable?
- Government efforts to increase sustainable procurement continue to be hampered by a number of common barriers at a working level.
- These can be divided into attitudinal and cultural barriers, organisational barriers and economic barriers.
- A number of case examples are presented here, to show how these barriers have been tackled in practice.

In recent years the Public Sector has made great strides in highlighting the importance of sustainable procurement. The principle that environmental, regional, and social issues should be taken into account in procurement decision-making, as part of the balance of costs and benefits, is increasingly reflected in official guidance, such as The National Procurement Strategy for Local Government and a joint publication by the Office of Government Commerce and the National Audit Office which states that "Value for money is not about achieving the lowest initial price: it is defined as the optimum combination of whole life costs and quality."<sup>5</sup> Yet progress in turning this guidance into reality is still patchy. The Byatt Report (2001) on local government procurement, for example, found that too many decisions were still being taken on the basis of the lowest price tender, without taking account of

sustainability or whole life costs.<sup>6</sup> While the Government's Framework for Sustainable Consumption and Production reported in 2003 that:

*"The scope for using government purchasing actively to help deliver sustainable development objectives is greatly under-utilised at present. A number of specific green procurement commitments have been made by the Government in recent years – on paper, timber, renewable electricity and alternatively fuelled vehicles – but a much more ambitious and coordinated approach is needed."*<sup>7</sup>

Why is this? If sustainable procurement is focused on achieving the greatest overall value for money, why isn't it being implemented as a matter of course? Why is it too often dismissed as a fad; or acknowledged as desirable, but rejected as costing too much?

There are, needless to say, no simple answers to these questions, with a number of obstacles to the practical implementation of the Government's aspirations.

None of these barriers is insurmountable, and much is already being done to find innovative ways of overcoming them. But very often these are local or piecemeal initiatives, without the lessons of their success being widely learned and implemented. It is perhaps this lack of information which is the greatest barrier of them all, and which this paper seeks to address. Accordingly, this section will not just dwell on the problems but also give examples, in the boxes accompanying the text, of organisations which have pioneered solutions. (Further details of these and other case examples are on the internet at [www.princeofwales.gov.uk/speeches/asg.html](http://www.princeofwales.gov.uk/speeches/asg.html).)

5 Getting Value for Money from Procurement (joint publication by the NAO and OGC), <http://www.nao.org.uk/guidance/vfmprocurementguide.pdf>

6 Delivering Better Services for Citizens – A review of local government procurement, June 2001, [http://www.odpm.gov.uk/stellent/groups/odpm\\_localgov/documents/page/odpm\\_locgov\\_605089.hcsp](http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_605089.hcsp)

7 Changing Patterns - UK Government Framework for Sustainable Consumption and Production, September 2003, <http://www.defra.gov.uk/environment/business/scp/changing-patterns.pdf>

Among other research, the following identification of barriers and solutions draws on three sets of interviews carried out in late 2004. One set of interviews was carried out by David Aeron-Thomas (Forum for the Future), and Mike Peirce and Maya Forstater (University of Cambridge Programme for Industry), with policy-makers and sustainability experts; a second by George Martin (Building Research Establishment) with public officials and private sector experts engaged in construction projects; and a third by Ruth Morgan with UK business leaders. Views reported are not necessarily those of the interviewees, or their parent organisations.

## Attitudinal and Cultural Barriers

The term sustainability is of quite recent origin. The most quoted definition of what "sustainable development" means, coined by the

Brundtland Commission, only dates from 1987 ("Sustainable development is development that meets the needs of the present without compromising the needs of future generations to meet their own needs").

Because of this relative novelty, there is plenty of scope for staff at all levels to be uninterested in sustainability, sceptical of its rigour as a practical concept, or unsure of how they should apply it in their work. This is in part a reflection of a lack of clarity as to what it means. As one sustainability website reports, "There may be as many definitions of sustainability and sustainable development as there are groups trying to define it."<sup>8</sup> Meanwhile, a DEFRA survey found that while 28 per cent of people claimed awareness of the term "sustainable development", 20 per cent of them could not explain what it meant.<sup>9</sup>

## Barrier 1: Ignorance

It was evident that the term "sustainability" had limited impact on many of those we spoke to in our interviews, and that there would be value in giving extra thought as to how best to explain the concept in a language that is readily understood by all as being relevant to their core work. But even those who are aware of sustainability may lack basic and important knowledge about the issues, such as global warming and other environmental factors, that make sustainability especially important today.

The Government, however, is offering an increasing amount of information and guidance to help address this shortfall in knowledge. For instance, the Office of Government Commerce has recently produced a guide to sustainable construction that breaks the concept of sustainability down into a series of practical

8 <http://www.sustainablemeasures.com/Sustainability/Definitions.html>

9 Progress: Sustainable Development Commission Critique 2004, [http://www.sd-commission.org.uk/news/resource\\_download\\_search.php?attach\\_id=A8WN800-VH0A9R4-BA0JCXB-HTVF81N](http://www.sd-commission.org.uk/news/resource_download_search.php?attach_id=A8WN800-VH0A9R4-BA0JCXB-HTVF81N)

considerations and offers a valuable source of joined up information on relevant targets, policies, and further sources of guidance.<sup>10</sup> Meanwhile, the Government's new Sustainable Development Strategy promises a new information service, "Environment Direct", to "fill an information gap for both individual consumers and procurement professionals, and expose the whole supply chain to information about the performance of goods and services."<sup>11</sup>

## Barrier 2: Suspicion

The next stage after ignorance about sustainability is for staff at all levels to be quite aware of it, even to feel under some pressure to incorporate it into their work, but not to be convinced of its merits – to treat it with suspicion, in fact.

Scepticism in such cases often focuses on the suspicion that sustainability is promoted *by* special interests –

### Overcoming Ignorance – St Peter's Primary School (UK)

At St Peter's primary school in Nottingham, the take up of school dinners was variable, and the meals which the children ate were often unhealthy. Jeanette Orrey, the catering manager, decided to take action to improve matters, despite having no prior knowledge or training to assist her in changing her suppliers. What counted in her case was the commitment to making a difference.

As she explains: "I literally got in the car and went round to the farm shops and asked if they were interested." She found it was possible to agree a competitive price for meat because she could offer a 38-week contract. "The farmers already had a market for the more expensive cuts, so this was a good way for them to sell off their cheaper meat. It was worth the risk for them since it was a long-term contract." She then took the same approach with milk, eggs, and vegetables. As with the meat suppliers, the other suppliers were able to supply the school at a competitive price in exchange for the long-term contract.

Since starting this transformation in the food at St Peter's, school meal uptake has increased by 40 per cent. In addition to reducing costs and packaging waste, increased meal uptake has also generated employment and improved staff morale. As Jeanette Orrey explains: "This kind of work also gave self-respect back to those working in the kitchen; people knew they were actually achieving something."

environmentalists, regional politicians, organic farmers, diversity groups, etc. – *for* special interests. The suspicion is that such interests and aspirations might be thoroughly admirable, but not necessarily justifiable as business cases. In addition, staff may treat sustainability as something of a fad,

the latest buzzword to sweep through the Public Sector only to disappear again after a few years.

The pervasiveness of this resistance to taking sustainability seriously was referred to by one of our interviewees: "Spending money now to save overall

10 Achieving Excellence in Construction Procurement Guide 11: Sustainability, <http://www.ogc.gov.uk/sdtoolkit/reference/achieving/AE11.pdf>

11 Securing the Future - UK Sustainable Development Strategy.

in the future still seems to be a hard concept to get over for something as straightforward as energy efficiency, where the economic argument has been proved time and time again!"

The overall view that sustainability is something of a superficial add-on, rather than a core concern of public bodies, can be reinforced by the lack of a consistent message from senior levels within the Public Sector. For example, Sir Peter Gershon's Efficiency Review, published by the Treasury alongside the 2004 Spending Review, was not asked to address sustainability.

### **Barrier 3: Confusion**

Individuals may be aware of sustainability and willing to implement it, but too often they are still confused as to what exactly they should be doing. To an extent this is because of the inherent complexities involved. But many interviewees also

felt that an excess of guidance on sustainability added to this sense of complexity. For example, as of 2003 the Office of Government Commerce had produced over 2,300 pages of advice and guidance in 170 different documents, which included a growing body of guidance on sustainability and procurement.<sup>12</sup>

Although interviewees did not stress the quality of the current guidelines as a key obstacle to progress, they did suggest ways in which they could be improved:

- Less focus on advocating *why* sustainability should be integrated into procurement and more on *how*.
- More tailored guidance for different users: budget holders, procurement personnel, senior management, chief executives and so forth.

- More training and personal support (e.g. provided by departmental or regional Centres of Excellence) rather than written guidance, including networks of peer-to-peer support for practitioners.
- More practical examples of best practice. In particular, construction interviewees highlighted the shortage of robust and fully transparent case studies illustrating Whole Life Costing (WLC). Linked to this was the request for publication of WLC calculations; currently these are considered to be commercial in confidence.

On the theme of the need for more training, the Government's new Sustainable Development Strategy promises a number of measures to increase skills in the public sector. These include the promise to place sustainable development in the

12 Peter Gershon at Government Procurement Conference, 2003, <http://www.ogc.gov.uk/index.asp?docid=1001389>

### **Overcoming Ignorance, Suspicion and Confusion – The Federal Buildings Initiative (Canada)**

Under the Federal Buildings Initiative (FBI), specialist Energy Service Companies (ESCOs) carry out energy efficient retrofits of Government buildings, reducing both utility bills and greenhouse gas emissions.

One of the features of this Canadian programme is its emphasis on staff training. FBI projects include a skills audit to identify staff training needs, which are met using established links with community colleges. FBI head John Brennan estimates that such training delivers a 10 per cent increment to identified savings.

In addition, awareness training helps to win the hearts and minds of building-users to the projects' aims. One participating energy service provider is Centrica's Direct Energy. As Jeff Weir, of Direct Energy, puts it: "If you have 25,000 people on a university campus, and you can motivate 10 per cent to be looking out for energy waste, you've got 2,500 people going about their ordinary day being extra eyes and ears for the project – and they can take this awareness home with them to use in their private lives. You get this by showing people how their organisation impacts on the environment."

### **Overcoming Suspicion and Confusion – Hamilton City Council (New Zealand)**

Hamilton City Council has successfully established a scheme for recycling printer toner cartridges, which has reduced both waste and costs. Not only are the recycled cartridges 13 per cent cheaper, the Council has also negotiated a financial bonus scheme with the supplier, based on performance targets for recycling.

The Council has had to overcome two main barriers. The first was staff perception that the quality of refilled cartridges would be inferior. This was largely overcome by working with a supplier that staff perceived as reputable, and through experience of the recycled cartridges in operation.

Another key barrier was a decentralised purchasing system whereby staff from the Council's 22 different units were able to make purchases. This was largely overcome by making it simple to buy recycled, and hard to buy new by reducing the opportunities for staff to make ad-hoc purchases, and developing an intranet ordering system which automatically replaced staff orders for original cartridges with recycled cartridges.

In addition, the Council sought to win over staff through the staff intranet notice board and articles in staff publications, and through pointing to the cheaper cost of buying recycled.

mainstream of the Civil Service through the Professional Skills In Government programme and the curriculum of the National School of Government (to be launched in the first half of 2005), and the establishment of an Academy for Sustainable Communities and a "How To" programme to promote the take up and use of new and existing powers to transform the local environment.

#### **Barrier 4: Lack of information and accountability**

While there may be a thicket of guidance on sustainable procurement, the lack of the right kind of information is also a problem. While many public bodies subscribe to the principles of sustainable development, they lack the tools to integrate this aspiration within their internal structures for accounting, performance targets, and staff incentives. For example, procurement

decision-making is widely devolved within organisations, and managers often lack information on exactly who is spending how much on what. In addition, and as the NAO's Improving Procurement report (2004)<sup>13</sup> found, in many cases procurement decisions are still made without the advice or involvement of procurement experts.

These problems are not confined to the UK Public Sector. The US Government Accountability Office, for example, reported in 2002 that it "could not determine the extent to which the large procuring agencies purchase recycled products because most lack reliable and complete data on such purchases...[T]heir procurement systems are generally not designed to track these purchases".<sup>14</sup>

The Monitoring of progress towards more sustainable procurement has also been limited. The main method of monitoring to-date has been

the annual Report on Sustainable Development in Government, which is part of the National Framework for Sustainable Development on the Government Estate. But this only covers central government spending, missing out the NHS, schools, and local government, amounting to less than a quarter of overall public spending, and has been criticised by the House of Commons Environmental Audit Committee for inadequate and inconsistent data. Some improvement, however, is to be expected following the announcement, in the new UK Sustainable Development Strategy, that the Sustainable Development Commission will in future report on departments and "act as the independent "watchdog" of government progress."

Related to this lack of information is a lack of accountability. One major example is the absence of targets

13 Improving Procurement, HC361-1, March 2004, [http://www.nao.org.uk/publications/nao\\_reports/03-04/0304361-i.pdf](http://www.nao.org.uk/publications/nao_reports/03-04/0304361-i.pdf)

14 Federal Procurement – Government Agencies' Purchases of Recycled Content Products (GAO-02-928T), <http://www.gao.gov/new.items/d02928t.pdf>

for each Government department to reduce its carbon emissions, even though the Government has set itself one overall target, and the nation as a whole another. More generally, a lack of performance targets specifically related to sustainability means that progress within the Public Sector is left to the chance that individuals will be sufficiently highly motivated to achieve it; however, very often "if it isn't measured it doesn't happen".

The effects of this are reflected in the variable performance of different departments in meeting the targets of the Framework for Sustainable Development on the Government Estate.<sup>15</sup> For example, the proportion of recycled paper bought by departments ranges from 100 per cent to 0 per cent; the proportion of energy purchased from renewable sources ranges from over 90 per cent to less than 10 per cent; and, amongst the three departments with the largest

fleets, the proportion of vehicles running on alternative fuels ranges from 22 per cent to less than 1 per cent.

## Organisational Barriers

Even where staff are familiar with the principles of sustainability, aware of its potential to save money, and committed to incorporating it into their organisation's business decisions, there may still be recurring organisational constraints that stand in their way.

### Barrier 5: Lack of leadership

There are, for example, too few champions to help spread the message and take action on sustainability within their organisations. At a recent workshop of sustainability experts, held by the Sustainable Development Commission (SDC) and HM Treasury, lack of leadership was the most frequently identified barrier to achieving sustainable public

procurement. Similarly, most of the construction interviewees suggested that the biggest single barrier was the inertia of those involved in the industry, especially those who may not see themselves as being directly involved, for example, clients, investors, and bankers.

The emergence of more champions throughout the Public Sector would help to remedy the cultural and attitudinal barriers referred to above, signalling that sustainability is important, thereby "getting it on an organisation's radar"; rewarding those who take it seriously, thus breaking down suspicion as a practical barrier; and giving a clear lead for people to follow, thereby reducing confusion.

15 Sustainable Development in Government – second annual report - 2003, <http://www.sustainable-development.gov.uk/publications/report2003/foreword.htm>

### **Demonstrating Leadership – Alameda County (US)**

In 1990 residents of Alameda County, California, passed a Measure requiring County government offices to reduce material going to landfill by 75 per cent by 2010, with a specific requirement to reduce paper consumption. In response, County officials not only demonstrated leadership but acted to encourage leadership at all levels by adopting a train-the-trainers approach. Liaison officers in every team were given central training on ways to reduce paper use, before training their own teams – backed up by a short video and leaflet.

Numerous individual staff members used their initiative to implement the policy. For example, one woman in the tax department reformatted a property tax form, saving £14,300\* and 2.5 tonnes of paper.

And the County has continued to drive forward progress. In 2004, for instance, it conducted an audit of the 70 dumpsters at its offices, to find out how much of the waste it was throwing away could be recycled. Following this exercise, it was able to save over £50,000\* per year from its waste collection bill.

\* Rate of exchange as of 4 April 2005, \$1 US = £0.53.

### **Demonstrating Leadership – Civil Service Diversity Champions Network (UK)**

Diversity is in some ways analogous to sustainability as a policy agenda. The Civil Service Diversity Champions Network gives an example of such an agenda being taken seriously at the highest levels, and the message this sends throughout Government.

The Network comprises the respective Diversity Champions for all departments, plus a number of other Government bodies. Chaired by Martin Narey, Chief Executive of the National Offender Management Service, it also includes senior figures such as the Permanent Secretary of the Department for Transport, and the Chief Executive of the Pension Service.

### **Demonstrating Leadership – British Telecom (UK)**

British Telecom is a company with enormous purchasing power, and a commitment to procurement practice which is alert to the long-term potential of sustainable solutions. However, when BT sought to reduce the impact of their energy use they found that they could not find enough willing green energy suppliers.

Working with Forum for the Future, the company decided to take the initiative and alter its relationship with the green energy market. They did this by, first, gaining a detailed record of their energy use. They were then able to use the certainty of their energy requirements to negotiate contracts which were both attractive to suppliers and competitively priced. After two years of presenting their requirements to the market, their levels of detailed understanding could be translated into key contract terms and Key Performance Indicators. This resulted in a Green Energy Contract which provides for 98% of the company's domestic electricity requirement to be met from environmentally sound sources.

The environmental benefit of this move is a reduction in CO2 emissions of more than 325,000 tonnes a year or the "equivalent to the amount of carbon dioxide produced by almost 50,000 homes or more than 100,000 cars."

## Barrier 6: Supply chain size

Sustainable procurement depends on changing the supply chain – indeed this is one of the intended benefits – but it is a major task. Such change takes time, especially where procurers and suppliers have long established networks, where contracts may be set for a number of years (or decades in the case of PFI, and other contracts which require the supplier to invest heavily in infrastructure), and where Public Sector bodies act individually as merely single buyers in a national or transnational market. Changing the supply chain involves, not just the suppliers, but the suppliers' suppliers and beyond. The £120 billion plus spent annually by the UK Public Sector feeds into supply chains worth many times this amount.

## Economic Barriers

There are a number of economic barriers which result from the mismatch of priorities when sustainability is grafted onto the working practices of an organisation used to operating within its own annual budgeting and reporting

cycles. This is to say, sustainability demands that people are guided by a longer term and wider perspective, whereas the existing financial *modus operandi* can encourage a more short term, compartmentalised outlook.

### Overcoming Supply Chain problems – B&Q

B&Q are a retailer whose complex international supply base gives them a myriad of issues to deal with when making procurement decisions. In 1990 a journalist called B&Q head office wanting to find out how much tropical timber they sold. The company realised that it could not easily answer this question, which could prompt the response that if they did not know then they probably did not care.

The potential cost to the business of failing to act in this area was perceived as far outweighing the immediate investment required to change its procurement practices. It was apparent to decision-makers at B&Q that: "Customers expect us to ensure that their expectations on timber sourcing are met, in the same way that they expect us to get it right on quality issues".

Keen to find a solution to independent forest certification, the company formed a partnership with the WWF to work towards the establishment of an independent organisation. The Forest Stewardship Council (FSC) grew out of this project, and is now able to provide the type of independent assessment sought. About 75 per cent of B&Q products now carry FSC approval, with remaining suppliers either working towards this certification with B&Q's assistance, or operating under other certification schemes appropriate to specific timber types.

### **Overcoming Supply Chain problems – Royal Cornwall Hospitals NHS Trust**

Royal Cornwall Hospitals NHS Trust has made great efforts to use high quality, local food, at a competitive cost. One example is ice cream, which they sourced from a quality local company. Prices were initially too high, because the company was used to supplying nationally, in higher volumes. But the Trust found an innovative solution: removing packaging reduced the cost of the ice cream to an affordable price, while decreasing the environmental impact that packaging waste causes.

In addition, the Trust found that the nutritional content of the ice cream was higher than some of the nutritional supplements used. So the ice cream was not only enjoyable to eat but also an important source of nutrition for patients. This also meant that the Trust could reduce expenditure on future nutritional supplement costs, more than offsetting the investment in ice cream. This is without even taking into account:

- the benefits of improved patient morale and recovery times;
- the benefits of reduced future hospital admissions through reduced malnutrition;
- the benefits of sourcing locally.

## **Barrier 7: Long term versus short term**

Though there are clear benefits in making decisions based on a long term view, several factors contribute to public bodies often having a more short term outlook. Examples include:

### ■ **Annual budgeting and reporting cycles**

Because public bodies have been used to receiving their funds in yearly tranches, with little flexibility to retain unspent funds at the end of year, an ingrained tendency towards short term spending continues. Even where departments are given the flexibility to act differently, many do not take up this opportunity. For instance, the NAO's report on Managing Resources to Deliver Better Public Services (2003) found

that only 37 per cent of departments had made use of new flexibilities and secured Treasury approval to carry forward underspends.

### ■ **Split between capital and operational budgets**

Investment in capital works to improve energy efficiency should lead to a reduction in future years' operational costs, but the split between budgets discourages public bodies from doing this; and while in theory PFI makes the integration of capital and operational costs easier, difficulties still remain in practice.

### ■ **Four or five yearly electoral cycles**

There are well-known, and widely acknowledged, limitations to operating across electoral cycles.

### **Overcoming Short-termism – Princess Margaret Hospital (UK)**

In a major project to renovate and increase in-patient capacity at Princess Margaret Hospital, Swindon, a number of innovations were used. These included using "super insulation" – by doubling the amount of roof insulation, at an extra (once-off) cost of £24,000, developers Carillion estimate that the hospital's energy bills will be reduced by £250,000 over the next 27 years.

In addition, even the upfront expense was recouped by installing fewer radiators (not needed because of the improved insulation), saving £26,000, thereby making a net initial saving of £2,000.

Not only did innovation and a focus on longer term costs lead to better value for money, but these measures will also cut the carbon dioxide emissions associated with this part of the hospital's operation by 2,150 tonnes over 27 years.

### **Overcoming Short-termism – the Federal Buildings Initiative (Canada)**

The Canadian Federal Buildings Initiative (FBI) was established in 1991, making it one of the most established programmes of its kind in the world. Under the FBI private Energy Service Companies (ESCOs) carry out energy and water efficient retrofits of Government properties, while raising the upfront investment for this work themselves. ESCOs are repaid over a number of years from the resulting savings to the building's utility bills, with the Government body keeping all the savings thereafter. FBI contracts ensure that ESCOs guarantee net savings to the contracting body.

The FBI method is a proven way of overcoming the split between operational and capital budgets. Under the FBI, Government bodies are able to pay for capital renovations over the long term, out of the annual savings in their utility bills.

While programmes like this exist in other countries, the Canadian FBI stands out, both for the support it gives to individual Government bodies and for its established record. Since its inception in 1991, it has addressed 35 per cent of all Canadian Government properties. Currently, there are 80 energy efficiency contracts in place, covering some 7,500 buildings. To date, this has resulted in £14.2 million\* in annual savings, and reductions of approximately 200 kilotonnes of greenhouse gases.

\* Using the exchange rate as of 10 February 2005: \$1 Canadian = £0.43.

## **Barrier 8: External benefits versus internal costs**

In making a decision based on wider benefits, an organisation may also benefit directly itself; for example, when buying recycled products is also cheaper, or buying from local farmers also results in better quality food. But on other occasions, an organisation might receive no direct benefits from such a decision and would bear the costs.

Even in cases where the Public Sector as a whole would save money over the long term, such decisions might not be taken if they do not meet the objectives of a particular organisation within the Public Sector. Here, the problem is the lack, not just of joined up policies, but of joined up budgets; or the lack of mechanisms allowing for specific budgetary transfers between public bodies.

### **Overcoming Externalisation of Benefits – the Surplus Federal Real Property for Homelessness Initiative (Canada)**

The Surplus Federal Real Property for Homelessness Initiative (SFRPHI, pronounced "Surfi") is a key programme of Canada's National Homelessness Initiative. The programme buys suitable surplus properties or land from Government departments at market value, and transfers them at nominal cost to not-for-profit community organisations and provincial and municipal governments/agencies, to be used to alleviate and prevent homelessness.

For government bodies to give away surplus properties or land to be turned into homelessness services and affordable housing may often be, not just an enlightened thing to do, but also value for money to the public sector as a whole – especially where it improves the physical and mental wellbeing of the neediest individuals, thereby reducing their call on a variety of public services. Often, however, while these gains would outweigh the costs for the public sector as a whole, this would not be the case for the individual body with the property to dispose.

SFRPHI's arrangements help to overcome this barrier by creating a central fund to buy surplus real properties from departments at full market rates. This enables the disposing department to create external benefits but not to suffer internal costs. Meanwhile the programme that is incurring the costs is directly accruing benefits in terms of meeting its given objectives. In this way government becomes joined up – essentially a "win-win" arrangement. As of 2003, 49 properties worth £4 million were approved for transfer to help with homelessness and affordable housing projects. Between 2003 and 2006 SFRPHI will assist in the transformation of surplus property worth a further £4 million.

Some of the construction interviewees expressed frustration that this problem was often exacerbated by a lack of joined up thinking; for example, when public bodies allow energy bills to be a "pass through cost" on a project. Where an NHS Trust takes responsibility for the provision of energy free of charge to the contractor for the building period, there is little or no incentive for the contractor and its supply chain to do anything to minimise energy use.

A number of respondents also highlighted a particular case in which Government itself adds internal costs to external benefits, by levying VAT on refurbished buildings but not on new buildings, creating a fiscal disincentive to adopting the sustainable option. Research shows that refurbishment of existing buildings has around 80-85 per cent of the environmental impact of new building, especially when the new building is preceded by the demolition of an existing structure.<sup>16</sup>

### Sustainable accounting

Sustainable accounting is a nascent field. Consequently, the phrase "sustainable accounting" does not refer to a single, commonly understood practice, but to a number of diverse approaches. As the Association of Chartered Certified Accountants (ACCA) puts it:

*"the term 'sustainability accounting' encompasses a range of new accounting and reporting tools and approaches which are part of a transition towards a different kind of organisational decision-making focused not just on economic rationality, but consistent with ecological and social sustainability."*<sup>1</sup>

Often what is referred to as sustainable accounting is not a form of accounting as it is commonly understood – i.e., a form of financial accounting. Instead it may refer to:

- the public **reporting of data** on an organisation's carbon emissions, energy use, pollution, impact on the local economy, etc (sometimes called "**physical environmental or social accounting**");
- the **use of such data as part of a management system**, to enable an organisation to make its facilities and production processes more sustainable (sometimes called "**environmental or sustainability management systems**");

- the **reporting of initiatives** which demonstrate that an organisation is taking its social and environmental impacts into account in making business and policy decisions (which could be called "**environmental / social / sustainable reporting**, or **Corporate Social Responsibility reporting**");
- the **reporting of such initiatives together with an organisation's financial accounts** (sometimes called "**triple bottom line**" reporting);
- the reporting of information within key indicator criteria, reflecting progress towards the sustainability of an organisation or government (sometimes called "**sustainable development indicators**").

In addition to these approaches, there *are* attempts to make sustainable accounting a true form of financial accounting. Some groups – such as the Sustainability Integrated Guidelines for Management (SIGMA) Project – have developed **methodologies to translate external or intangible costs and benefits into internal monetary terms, and to incorporate these within an organisation's financial accounts**. To differentiate this approach from the others listed above, SIGMA define this as "**sustainability financial accounting**".

16 Anderson J & Mills K, Refurbishment or redevelopment of office buildings? Sustainability case studies, BRE Information Paper 9/02, BRE Bookshop, Garston, 2002.

Roger Adams, ACCA's Technical Executive Director, describes this approach as "the holy grail for those interested in pursuing sustainable development."<sup>2</sup> This indicates not just the desirability but the difficulty of attaining a methodology which can accurately incorporate external and intangible costs into an organisation's balance sheet. Currently it remains an objective to be worked towards, more than a mature practice to be applied.

### **Sustainability and accountants**

Notwithstanding the difficulties in arriving at a fully mature and viable methodology for "sustainability financial accounting", it is still important for accountants to be aware of sustainability issues in their work. As a paper by the Institute of Chartered Accountants in England and Wales (ICAEW), *Sustainability: the role of accountants*,<sup>3</sup> describes, the business drivers of sustainable development (accountability and transparency, governance and reporting, risk management, finding sources of competitive advantage) impinge on the accounting profession.

As the ICAEW's report argues, however, the accounting profession's skill-set in information analysis and reporting, and in the assurance process, make it well-placed to help organisations meet the challenges of sustainability. It is for accountants to recognise this and assume this role, building their knowledge of sustainability and drawing on other expertise where necessary.

The ICAEW's report shows that the profession is taking this seriously. Taking a market-based approach, it starts from the fact that individuals, societies and governments are interested in the environmental, social and economic impacts of enterprises, and that professional accountants in business and in practice are likely to have an increasing role in meeting those concerns.

- 1 Ball, A, *ACCA Research Report No. 78* (2002), <http://www.accaglobal.com/research/summaries/735754>
- 2 *Advances in Environmental Accounting* (2004) <http://www.accaglobal.com/pdfs/environment/other/tech-ea2-001b.pdf>
- 3 *Sustainability: the role of accountants* (2004) [http://www.icaew.co.uk/index.cfm?AUB=TB2L\\_71159,MNXI\\_71159&CFID=1831247&CFTOKEN=49896486](http://www.icaew.co.uk/index.cfm?AUB=TB2L_71159,MNXI_71159&CFID=1831247&CFTOKEN=49896486)

## **Barrier 9: Intangible benefits versus monetary costs**

It is no surprise that representing the external costs and benefits of an organisation's activities in monetary terms, thereby fully integrating them into its accounts, has been described as the holy grail of sustainable accounting.

It is, however, a very difficult thing to do. An example to illustrate this might be the difficulty of demonstrating in clear financial terms the benefits of providing high quality and more expensive school meals. If such meals helped to improve children's long term eating habits, it might create a significant monetary benefit for the National Health Service; it is estimated that obesity already costs the NHS directly around £1 billion per year and the UK economy a further £2.3 to £2.55 billion in indirect costs.<sup>17</sup> The potential savings in this case might dwarf the extra costs borne by school

budgets. However, as there would be many uncertainties about the exact impact of improved school meals on future public health and rates of obesity, it would be very difficult to estimate a supportable financial saving for the Public Sector as a whole.

### **Summarising the Barriers**

#### **Cultural and Attitudinal Barriers**

- 1 Ignorance
- 2 Suspicion
- 3 Confusion
- 4 Lack of information and accountability

#### **Organisational Barriers**

- 5 Lack of leadership
- 6 Supply chain size

#### **Economic Barriers**

- 7 Long-term versus short-term
- 8 External benefits versus internal costs
- 9 Intangible benefits versus monetary costs

# 4

## Suggestions for action



- Six suggestions for action are given for a variety of public bodies, plus the accountancy profession. The focus is on helping the Public Sector to identify the opportunities for increasing value for money and sustainability at the same time.

The previous section identified several recurring barriers to the Public Sector procuring more sustainably in practice. This section sets out six suggestions, both for the Public Sector and the accountancy profession, for practical actions which could help to address these barriers and contribute to progress. The suggestions offered here are focused on helping to create a climate in the Public Sector for sustainable procurement in which:

- the benefits are widely recognised and demonstrable;
- the priorities to be pursued and practical steps to achieve them are widely understood; and
- the relative progress of different bodies towards doing so is clearly assessed.

## Six Suggestions:

- **On-the-ground experimentation: all Public Sector bodies** could identify one area where value for money would be increased if the costs and benefits that currently fall between different departmental budgets were linked together; they could then implement joint action as a result, and publicise the outcome.  
*- Among the barriers this would help to tackle is **Ignorance**, in that it would lead individuals to find out for themselves how sustainability might work for them in practice.*

- **Better data:** the **Treasury** could work towards developing the systems to enable the joint publication of each Department's annual procurement expenditure in a number of key areas where Government can exert clear influence and leverage – for instance, energy, water, and vehicle fuel, and it is understood that they would be willing to consider this.  
*- Among the barriers this would help to tackle is **Lack of Information**, in that identifying and drawing attention to such spending would signal the potential opportunities for sustainable suppliers, and aid the scrutiny of costs and so help drive efficiencies.*

- **Improved skills:** the **Sustainable Procurement Task Force** could include in its national action plan the objectives of: creating extra training, tailored for senior managers, procurement specialists, and general staff; and maximising the take up of training, both that which is planned (such as announced in the new Sustainable Development Strategy) and that which is already offered (such as by the Centre for Management and Policy Studies).  
- Among the barriers this would help to tackle is **Confusion**, in that it would help more people to internalise and implement the good practice recognised and recommended by Government.
  - **New accounting systems:** the **accountancy profession** could work with economists, academics and the Treasury, to build on work such as the Treasury's Green Book, and identify how the Public Sector can bring externalities into account in decision-making.  
- Among the barriers this would help to tackle is the **Externalisation of Benefits**, in that it would help to ensure that the whole life costs and benefits of decisions are accounted for, and fall on those responsible for them.
  - **Closer oversight:** the **Sustainable Development Commission** could assess and rank major public bodies against a small number of high profile key indicators each year – e.g., percentage change in energy use since the previous year.
  - **Clear strategic vision:** the **Sustainable Procurement Task Force** could suggest targets to all public bodies for percentage increases or decreases of key purchases per year – e.g. for increases in the proportion of green energy, and decreases in the volume of paper.  
- Among the barriers this would help to tackle is **Lack of Leadership**, in that it would reinforce the messages being sent by central Government, with the effort required to meet specific targets helping to foster leadership within each public body.
- Among the barriers this would help to tackle is **Short-termism**, in that it would focus attention on the trends in performance towards meeting long term targets.

# 5

## Links and further information



The Accounting for Sustainability Group ('the Group') was convened by HRH The Prince of Wales in 2004, as a result of concern that procurement (and disposal) decisions taken in the public and private sectors might be unavoidably short-term or narrow in perspective. The Group consists of:

- David Aeron-Thomas (Forum for the Future)
- Sir John Bourn (Comptroller and Auditor General)
- Alun Bowen (Senior Partner, Sustainability Advisory Services, KPMG)
- Polly Courtice (Director, University of Cambridge Programme for Industry)
- Mark Davies (National Audit Office)
- Paul Druckman (President, Institute of Chartered Accountants in England & Wales)
- Jim Haywood (Director, Business in the Community)

- Professor Sir Andrew Likierman (Professor of Management Practice in Accounting, London Business School)
- Ruth Morgan
- Sir Michael Peat (Chairman of the Group and Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall)
- Mike Peirce (University of Cambridge Programme for Industry)
- Michael Whitehouse (Assistant Auditor General, National Audit Office)
- Professor Jonathan Wolff (Department of Philosophy, University College London)
- James Eady, from The Prince of Wales's Office, was the Group's Secretary

The Group decided to focus initially on the quality of procurement and disposal decision-making in the UK Public Sector, by encouraging the application of measurement and accounting approaches that consider all significant costs and benefits – including social, environmental and economic impacts – in the short and longer-term.

The Group commissioned detailed research from Forum for the Future (carried out by David Aeron-Thomas) and the University of Cambridge Programme for Industry (carried out by Mike Peirce, and also by Maya Forstater). Research and papers were also kindly provided by Professor Wolff, Ruth Morgan, and Richard Douglas (National Audit Office).

Justin Sacks (nef – the new economics foundation) also contributed to the paper.

This report, plus the full body of supporting evidence, is available on The Prince of Wales's website [www.princeofwales.gov.uk/speeches/asg.html](http://www.princeofwales.gov.uk/speeches/asg.html).

The further documents available on the website are:

- list of sustainable procurement initiatives,
- MORI Survey on Public Attitudes to the Environment conducted in February 2005, and
- detailed case studies.







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3. Improvement in environmental performance.

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