Welsh Procurement Policy Note WPPN 01/23: Procurement - sustainable risk assessments

This WPPN supports the use of the Welsh Government's public sector procurement: sustainable risk assessment (SRA) templates for goods and services.

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The Well-being of Future Generations Act's well-being goals supported by this WPPN
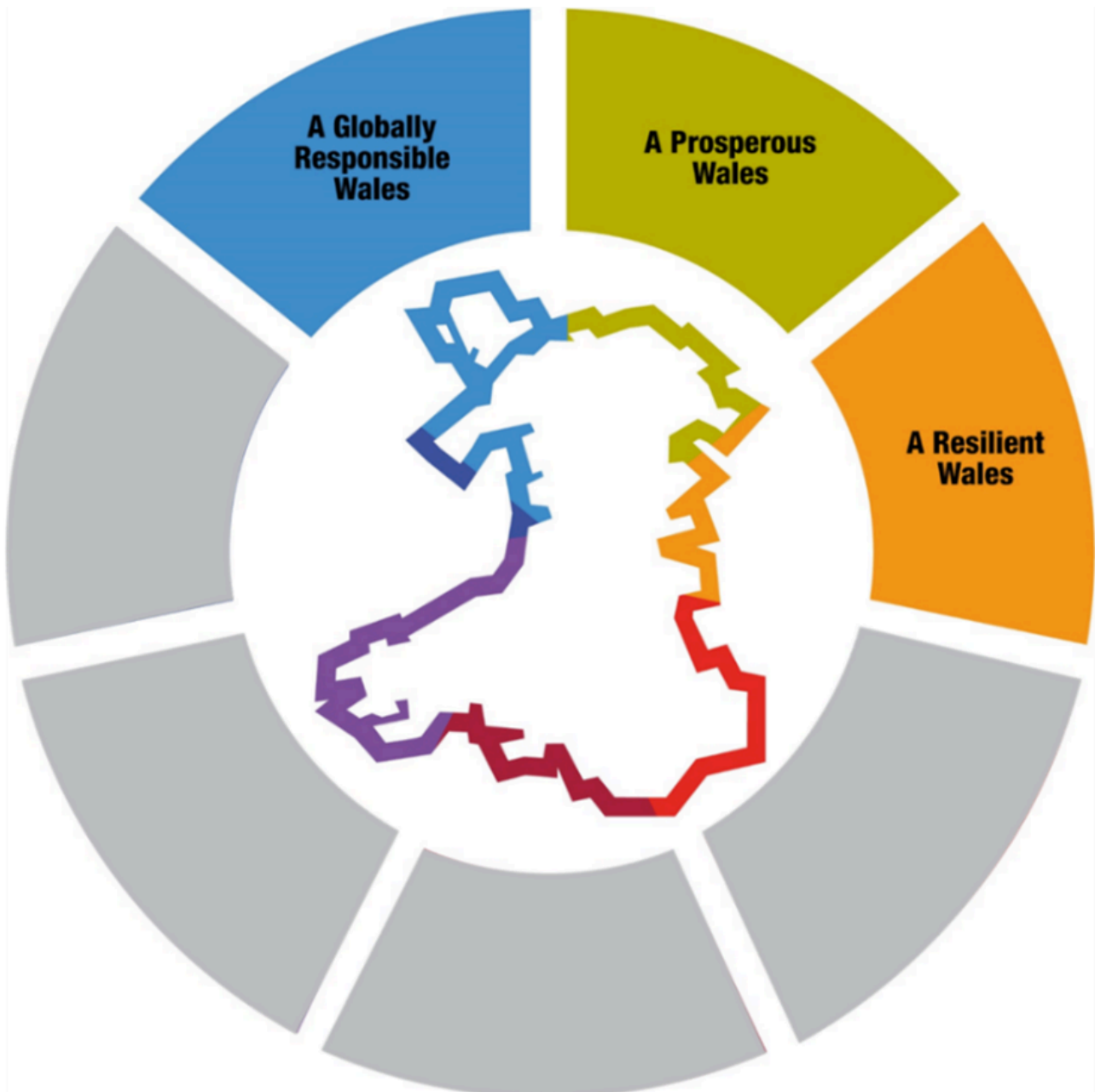
- A globally responsible Wales
- A prosperous Wales
- A resilient Wales

1. Points to note

- The information set out in this document is neither legal advice nor statutory guidance and is not intended to be exhaustive. Nor is it intended to override existing legal obligations applicable to Welsh Public Sector (WPS) Contracting Authorities – contracting parties should seek their own independent legal advice as appropriate. Please also note that the law is subject to constant change and advice should be sought in individual cases. This document reflects the position as of June 2023.
- This Welsh Procurement Policy Note (WPPN) builds on, and is consistent with, the Wales Procurement Policy Statement and the Public Contracts Regulations 2015 ("PCR 2015") (SI 2015/102) that remain unaffected by The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 (SI 2020/1319), effective from 1 January 2021.
- The note therefore assumes a certain level of knowledge of public procurement. It is available via the Welsh Government website Gov.Wales and any queries should be directed to **CommercialPolicy@gov.wales** or via the **Welsh Governments' customer services**.
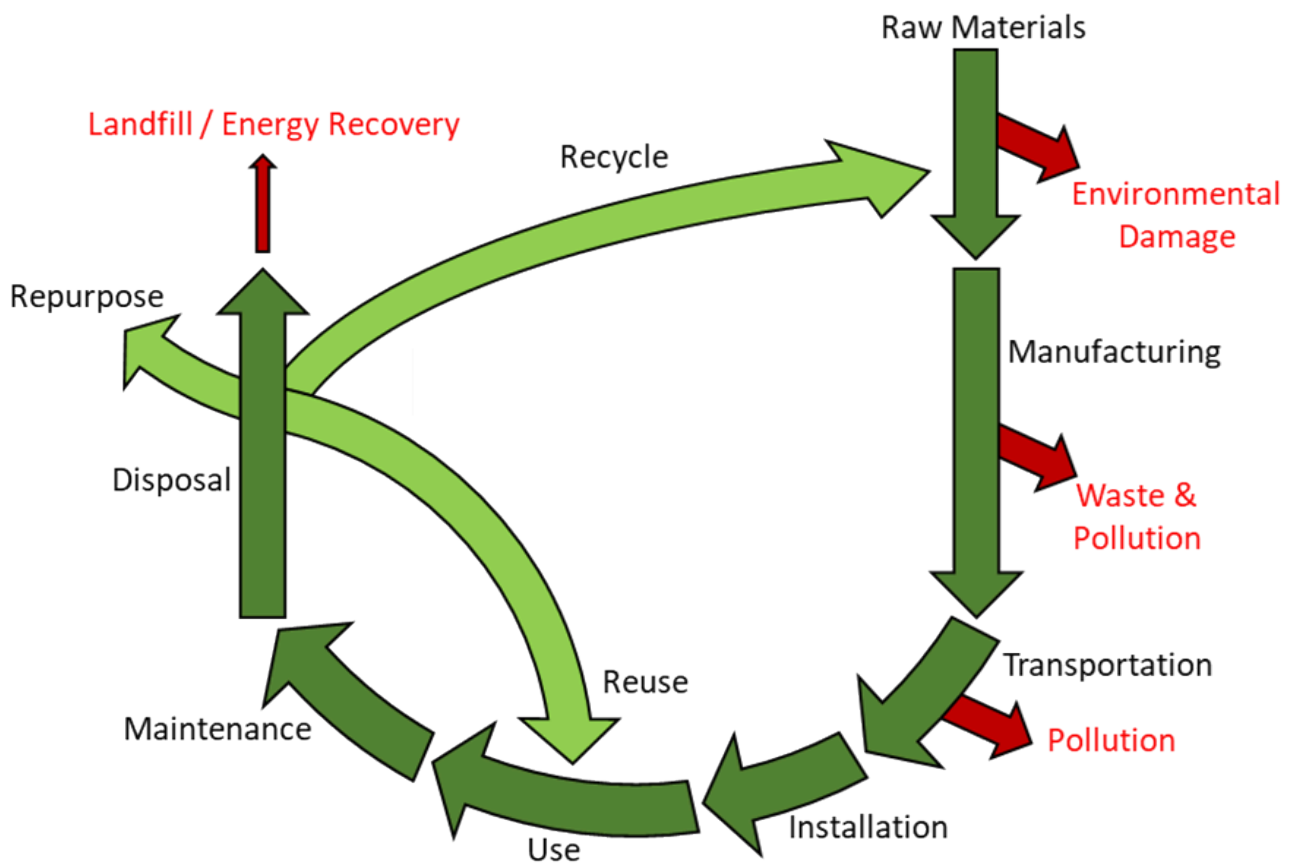
2. Purpose

This WPPN is intended to support the use of the Welsh Government's public sector procurement: sustainable risk assessment (SRA) templates for goods and services. The SRA is designed to help public sector buyers to:

- Meet the Sustainable Development Principle of the Wellbeing of Future Generations Act (WFGA) 2015. Bodies subject to the Act must"… act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs." (WFGA 2015)
- Build the WFGA 5 Ways of Working into the procurement planning process and identifying outputs / outcomes that deliver against the seven WFGA Wellbeing Goals. By incorporating the 5 Ways of Working the SRA templates help organisations to meet the Well-being Duty of the WFGA to act to maximise their organisations contribution to achieving outcomes that support each of the 7 well-being goals.
- Implement sustainable procurement, defined as "the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and benefits to society by generating economic, social, environmental and cultural well-being outcomes.
- Achieve Value for Money defined as the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also the economic, social, environmental and cultural well-being of Wales, both now and in the future.
- Take a life cycle thinking approach to procurement that considers all aspects from raw materials used, issues arising in manufacture, usage (of products) / delivery of services, through to end of use / disposal / waste arisings.

Life Cycle Thinking

- Raw materials (environmental damage)
- Manufacturing (waste and pollution)
- Transportation (pollution)
- Installation
- Use (reuse and repurpose)
- Maintenance
- Disposal (landfill/energy recovery and recycle)

3. Dissemination and scope

This WPPN has been published to assist all WPS bodies, including Welsh

Government departments, NHS Wales bodies, Welsh Government sponsored bodies, local authorities and the wider public sector. This WPPN covers goods and services contracts and can also be used on major components of works contracts.

Please circulate this WPPN across your organisation and to other relevant organisations that you are responsible for, drawing it to the specific attention of those in procurement, commercial and finance roles.

The SRA will become an integral part of the Policy Prioritisation tool that is currently being developed as part of the Digital Action Plan. This WPPN will be updated once this tool has been implemented.
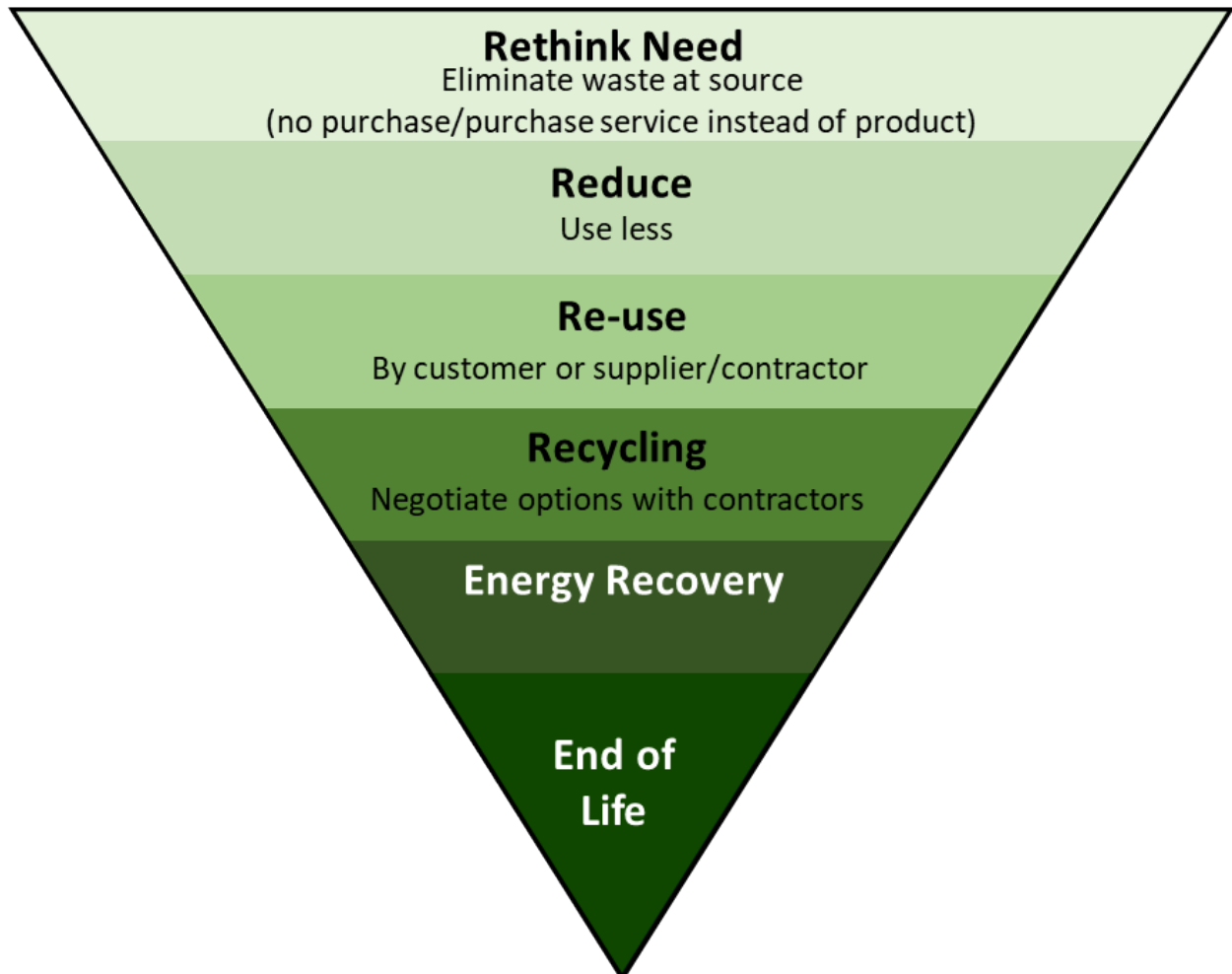
4. Background

The SRAs help buyers to identify and manage the sustainability risks and opportunities linked to the goods or services being procured by aligning with the Sustainable Procurement Hierarchy and informing actions in the procurement cycle.

Sustainable Procurement Hierarchy

Rethink Need
Eliminate waste at source
(no purchase/purchase service instead of product)

Reduce
Use less

Re-use
By customer or supplier/contractor

Recycling
Negotiate options with contractors

Energy Recovery

End of Life

Sustainable procurement hierarchy

Sustainable procurement hierarchy

- Rethink need: eliminate waste at source (no purchase / purchase service instead of product)
- Reduce: use less
- Re-use: by customer or supplier/contractor
- Recycling: negotiate options with contractors

- Energy recovery
- End of life

SRA in the procurement cycle
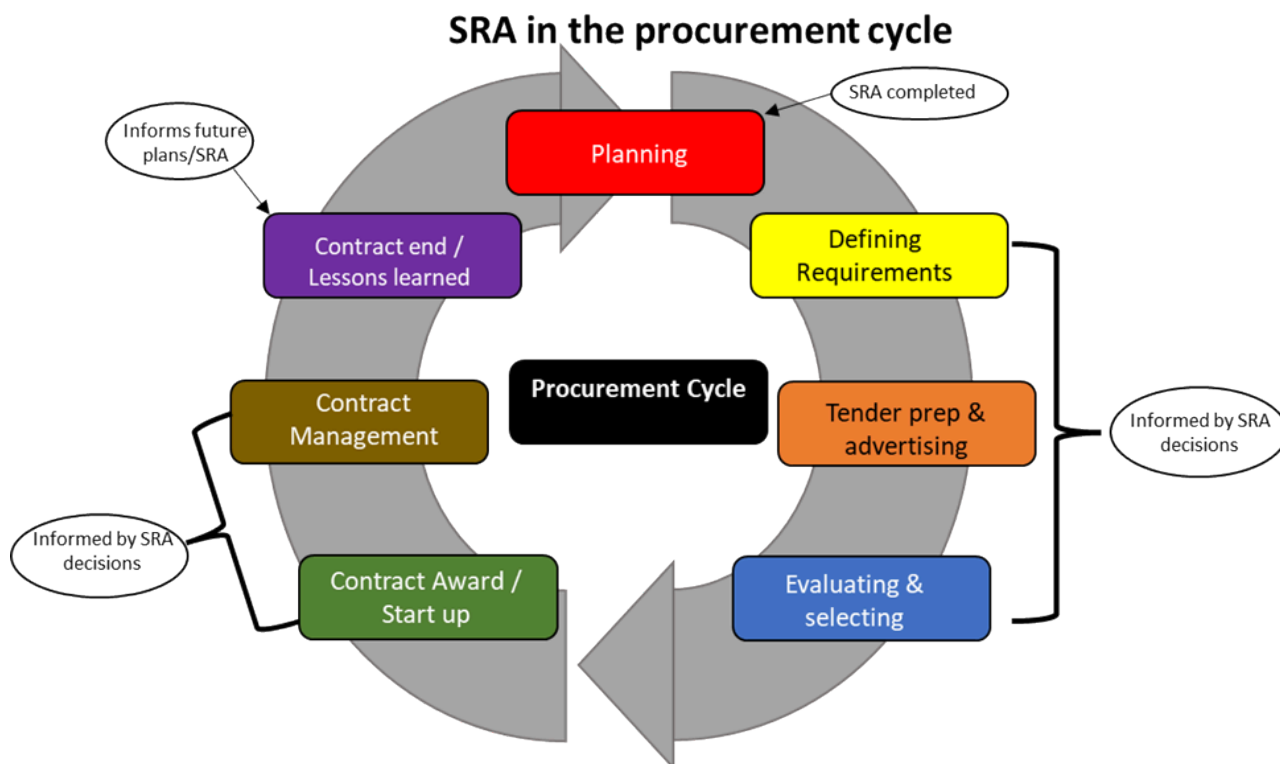
SRA in the procurement cycle

SRA completed	Planning
Informed by SRA decisions	Defining requirements
	Tender preparation and advertising
	Evaluating and selecting

	Contract award/start up
	Contract management
Informs future plans/SRA	Contract end/lessons learned

5. Guidance

The SRA process

The assessment can be used for procurements of any value and should inform the development of the procurement strategy, specification, tender questions and setting of KPIs. It should be a living document that ensures that buyers do not lose sight of the risks and / or opportunities to deliver sustainable outcomes throughout the procurement cycle, providing a reference document for contract management to ensure the anticipated benefits of the contract are fully realised.

In all cases the SRA should not be the product of single person. The effort that goes into it should be proportionate to the value of the procurement, and for larger projects the SRA should be a critical document owned by a project board overseen by an SRO drawing on the expertise required / available within the organisation and from outside agencies as required.

Please note - to support the completion of the SRA, guidance notes have been built into the tool as 'comments' within specific cells to provide guidance or an explanation.

The SRA process follows 5 steps (covered by separate tabs on the tool).

Step 1: Recording of the contract header details

This captures basic parameters of the procurement that should complement category / market assessment, supplier preferencing and inform the procurement strategy and ensure actions that are proportionate to the value and duration of the contract / framework agreement. For example, will the value and duration of the contract give the contracting authority enough influence over the market to award their own contract, or would a collaborative procurement with others to aggregate demand and influence via a framework agreement be a better way to ensure value for money?

In line with the definition of Sustainable Procurement 'value for money' should be considered to be the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also benefit to society, the economy, and the environment, both now and in the future.

Step 2: Wellbeing of Future Generations planning

This records how the WFGA 5 Ways of Working have been considered, a summary of the anticipated outcomes of the procurement in question and how it will increase the wellbeing of Wales and how outcomes or benefits will be reported. In addition, at this stage buyers are reminded that given the existential threat of climate change and the Net Zero imperatives (Net Zero Welsh Public Sector 2030 and Net Zero UK by 2050) decarbonisation and climate change mitigation should be considered in all cases.

Step 3: Demand review

This step challenges the need and proposed approach which are the first steps

in the sustainable procurement hierarchy. It aims to prompt a fresh look at the perceived demand to avoid simply repeating requirements and missing opportunities.

Step 4: Key life cycle impacts

This section explores 4 stages in the 'life cycle' to help buyers get a rounded picture of the product(s) or service(s) in question.

At this stage SRA users are just developing a broad understanding of the product(s) or service(s) in question and identifying the main issues:

- Is the product power hungry?
- Are waste or emissions produced?
- Are there obvious environmental concerns?
- Is there potential for exploitation / hazards for people involved?

Having considered the planning and context of the procurement being considered, actions to avoid, eliminate or manage these issues will be dealt with in the next step.

Step 5: Risk assessment and action planning

The Action Planning section poses a series of potential sustainability (environmental, social and economic) issues for buyers to consider for their relevance to the procurement in question and score the 'risk' associated with the issue. The first step for each issue is to decide whether it is relevant recording this decision as 'yes', 'no' or 'unsure' in column C of the SRA. If 'yes' proceed to complete the row in the SRA, if 'no' move on to the next issue and if 'unsure' take steps to clarify, e.g. by referring to colleagues who may have some relevant knowledge or expertise; internet search or refer to specialist support agencies,

e.g. Carbon Trust, WRAP, Welsh Government, etc. For future reference briefly detail your rationale for 'yes', 'no' or 'unsure' in column D of the SRA. Where you have indicated you are unsure use column D to detail the plan for clarifying the issue.

Risk is calculated by an assessment of the potential 'magnitude / impact' and 'probability / likelihood' of the risk arising. Having scored the potential risk / opportunity for each issue the SRAs suggest some minimum and 'push the boundaries' actions for buyers to consider.

Magnitude

Magnitude is the size of the impact or benefit over the lifetime of the contract or framework related to the goods / products under consideration. This is your subjective assessment of the 'magnitude' of the impact or benefit of the key issue. Magnitude is scored on a scale of high, moderate or low and should be determined by considering:

- the duration of the effect (short, medium, long-term)
- how far will impact spread or have influence (local, regional, national, global)
- the percentage of stakeholders / population affected.

Probability

This is your subjective assessment of the likelihood of the impact occurring over the lifetime of the contract or framework in question related to the goods / products under consideration. Probability is scored on a scale of high, medium or low:

- High – highly likely that the issue in question will be a constant or will be expected to occur on a very regularly basis.

- Medium – You would expect the issue in question occur at some point or on several occasions or on an intermittent basis.
- Low – the issue in question is unlikely to occur or may do so on a small number of occasions.

Allocating assessments of high, moderate / medium or low for Magnitude and Probability are scored as 3, 2 or 1 point and are calculated and displayed in the Significance (Risk Score) column as a numerical score and colour code the cell as red – high risk', amber 'moderate / medium risk or 'green' low risk. The colour coding assists in prioritising actions when all the issues have been considered.

Minimum and 'push the boundaries' suggestions and where to act

Each row in the SRA suggests some minimum and 'push the boundaries' actions for buyers to consider for each 'issue' and space for buyers to detail where best to address these actions in the procurement cycle. For example, depending on the context of the procurement in question it may be most appropriate to use the Specification or Supplier selection to set the bar with clear quality and qualifying requirements. However, this approach relies on buyers knowing exactly what they want in terms of either technical / performance aspects and the capability and capacity of the market to be able to supply. Where a market is uncertain or restricted actions may be better addressed at the contract management stage to ensure supply is secured and improvements in standards or outcomes be driven by an ongoing dialogue on continuous improvement or innovation backed by appropriately drafted contract clauses.

Specification

Provided that you do not use specifications to get around the core principles of fair, open, transparent and non-discriminatory competition specifications provide the most effective means of implementing sustainability as any products or

services to be supplied under the contract will have to meet the sustainability standards required. It is of course important to market test specifications to ensure they are affordable and deliverable by the market. If the market isn't ready for your ambition, then contract clauses, e.g. Continuous Improvement or Innovation clauses can justify discussion with your suppliers/contractors to improve their offering during the contract. While those discussions may lead to cost savings the focus should be improving the sustainability aspects of the goods or services being procured, e.g. carbon assessment of products, fewer and more sustainably sourced raw materials, management of delivery transport, etc.

Supplier selection

This is a critical stage as it is where you can set quality standards and any minimum selection criteria that suppliers have to meet if they wish to bid for work. Done well it should help prospective bidders to quickly identify whether they are able or want to complete a tender/bid.

Evaluation

The Tender Evaluation stage is the opportunity to ask questions about the sustainability issues relating to the contract and to draw out how bidders propose to manage those issues in the delivery of the contract. The relative weighting of sustainability issue criteria should be as high as possible to differentiate bids especially in markets where prices are competitive, and quality is fairly standardised or well regulated.

Contract management

Without good contract management it is unlikely that all the anticipated benefits

and outcomes of a contract will be realised. This stage can be used to note any actions that could be taken over the life of the contract to encourage the supplier to address and innovate solutions in areas of sustainability risk. Reporting mechanisms / tools should be used to gather consistent management data and track the anticipated benefits including sustainability outputs and outcomes.

Key performance indicators (KPI)

After specific sustainability risks and opportunities have been identified in the contract, it is important to monitor benefits and manage the risks with KPIs. KPIs may be more useful than targets as they clearly identify the key performance behaviours required without necessarily setting a limit. Targets can be useful but once achieved can disincentivise further actions that could have continued to improve outcomes. Having set KPIs and targets, it is essential that clients include them in regular contract management meetings with suppliers. This will ensure suppliers take ownership of the issues and are required to regularly report on KPIs / targets. Doing so will ensure that sustainability issues identified and built into the contract are turned into real outcomes. This will also help to prevent other sustainability concerns identified in the procurement planning process from becoming relegated. KPIs should be used to inform future contracts and ensure all the benefits resulting from the performance of the contract are captured and not just those that are easily monetised.

6. Actions required by contracting authorities

WPS contracting authorities are advised to adopt the SRAs, building them into their procurement planning processes.

7. Legislation

- The Well-being of Future Generations (Wales) Act 2015
- Public Contracts Regulations 2015

8. Timing

This WPPN is effective from June 2023 until it is superseded or cancelled.

9. Wales Procurement Policy Statement (WPPS) relevance

This WPPN aligns with the following WPPS principles:

- Principle 3: We will progress long-term sustainable procurement, which builds on and scales best practice and sets clear steps that show how procurement is supporting the delivery of organisational well-being objectives.
- Principle 6: We will act to prevent climate change by prioritising carbon reduction and zero emissions through more responsible and sustainable procurement to deliver our ambition for a net zero public sector Wales by 2030.

10. Additional information

A full list of Welsh **procurement policy notes** are available on gov.wales.

11. Contact details

If you have any questions about this WPPN, please contact Commercial Policy – Polisi Masnachol: **CommercialPolicy@gov.wales**.

12. Acknowledgements

This WPPN has drawn upon the following documents:

- **Wales Procurement Policy Statement** (Welsh Government 2021)
- **Well-being of Future Generations (Wales) Act 2015 Essentials Guide** (Welsh Government 2021)