

## **Appendix: Internal Audit Briefing Note**

**Note to:** Peter Schofield, Head of Integrated Commissioning and Procurement (Responsible Officer)

**Copied to:** Carol Culley, Deputy Chief Executive and City Treasurer (Accountable Officer)

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**Date:** 21 March 2022

**Subject:** Internal Audit Briefing Note: Carbon Reduction in Procurement

**From:** Tom Powell, Head of Audit and Risk Management

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### **Summary and Purpose of Note**

To present a high level overview of the current arrangements in place to support carbon reduction through sustainable procurement.

### **Action Requested**

To consider the suggestions for further improvement underlined in this note.

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## **1. Background**

- 1.1. The purpose of this review was to consider the developing governance framework to support carbon reduction through procurement. Through a desktop review of key documentation and structured discussions with relevant officers, we assessed current proposals to further develop this agenda and we have provided a short assessment of the current position.
- 1.2. This has focused specifically on roles, responsibilities and expectations and the corporate procedures and guidance to support the delivery of carbon reduction through procurement.

## **2. Current Position**

- 2.1. The importance placed on the drive towards zero carbon across the City was evident as demonstrated through the inclusion of Zero Carbon Manchester as one of nine key priorities within the Corporate Plan. This reflects the key target

for Manchester to be a Zero Carbon City by 2038, earlier than the national 2050 target.

- 2.2. Work is underway to embed this objective in all services across the Council and there is recognition of the significant role Council contracts can play in supporting our carbon ambitions. The Local Government Association in their recent peer challenge review commented on great examples of success; joint working with partners to address the climate emergency and the Zero Carbon Coordination Group where tangible outcomes were being directed and achieved. This however recognised the need for further embedding across the City with clear accountabilities for delivery.

### **3. Social Value Policy**

- 3.1. The Social Value Policy was refreshed during 2021 and approved by Resources and Governance Scrutiny Committee and Executive in March 2021. This review involved looking at the existing social value wording and additions to the priority cohort groups to reflect the impact of Covid. As part of this review the environmental elements were separated from the previous 20% social value weighting and an additional 10% introduced to focus solely on environmental factors. Our discussions with key officers confirmed that the decision to move to the introduction of an additional 10% was made following the successful trial of this within Highways tenders.
- 3.2. We confirmed the Social Value Policy includes six overarching areas of focus including keeping the air clean and making your organisation greener. The policy states that the introduction of the evaluation of environmental commitments in tenders should help to improve the impact the procurement of services can have on social good. There was clear alignment with the Council's commitment to the achievement of zero carbon by 2038.
- 3.3. Management acknowledged during our discussions that there would be a lead time in the widespread application of the 10% weighting, as some tenders take months to complete, however the Head of Integrated Commissioning and Procurement anticipated the application of this should be more prevalent from December 2021 although some exceptions remain where we use external frameworks and where there are restrictions on what weightings can be applied. Our discussions indicated that there remains some flexibility around the use of the additional 10% if it is not considered appropriate for the goods or services being tendered, depending on the individual circumstances. Similarly, the Social Value Policy states that in limited circumstances, where this is not considered practicable, this score may be revised for an individual tender.
- 3.4. We consider that the decision making criteria and associated approval level needed to exempt a tender from the 10% weighting was ambiguous. The Head of Integrated Commissioning agreed that this exception could be more explicit and that exceptions made need to be recorded. We therefore

recommend further exploration of this and how this could be implemented and communicated.

#### **4. Climate Change Action Plan 2020-2025**

- 4.1. The Climate Change Action Plan (CCAP) is a key document reflecting the Council's commitment to tackling climate change and the Zero Carbon team within City Policy is responsible for plan co-ordination, monitoring, reporting and delivery. The CCAP was approved in 2020 and is a five-year plan running until 2025.
- 4.2. A review of the CCAP confirmed its purpose is to outline the Council's commitments to tackling climate change over the next 5 years and supports delivery of the citywide Manchester Climate Change Framework 2020-2025; produced alongside a number of other strategic partners in the city. It summarises the specific actions which are required to ensure the Council reduces its direct emissions by at least 50% by 2025, whilst supporting and influencing partners to do the same. It also sets out how the Council's ambition to be zero carbon by 2038 will be achieved.
- 4.3. The action plan will evolve over time and therefore will have the flexibility to respond to factors such as changing policy and funding. We support this approach as new areas of focus will be needed as previous actions are completed. We understand the CCAP is being refreshed to reflect the current position and work is underway with workstream leads to drive this. Proposals are for change requests to be approved by the Zero Carbon Coordination Group by March 2022, any rewrites will then follow ready for final publication by September 2022 following action leads sign off.
- 4.4. There is recognition within the policy and from discussions with key officers that the Council cannot provide all the solutions to combat climate change and the role we play in influencing others (including suppliers) is key to ensure we achieve the necessary scale of change across communities, businesses, individuals and stakeholders. Similarly, the products and services we purchase directly or that our supply chain procure have a major impact on the environment and the action plan therefore also commits us to reducing the impact of carbon emissions from our indirect activity.
- 4.5. In terms of the governance surrounding delivery of the plan, there are five workstreams, each with their own lead and these focus on the themes within the action plan. We understand colleagues from the City Policy team worked with the leads for each area to drive this work forward and ensure the political motion regarding climate change was reflected and addressed in the action plan. The strategy of each of the five sections is both inward and outward looking. An example provided was travel; we look at our own fleet but also look city wide at how we can influence change wider than our own organisation.
- 4.6. To help drive the delivery of the five main workstreams within the CCAP a new PMO position has been created for a Procurement Programme whose remit

will include Manager, partly funded via CCAP which demonstrates the focus being given to this area.

- 4.7. The Head of Integrated Commissioning and Procurement (ICP) leads on workstream three Reducing Consumption – Emissions & Influencing Suppliers. This workstream facilitates the monitoring of carbon emissions and the reduction of these through our contracts, but also to help influence our suppliers.
- 4.8. We reviewed the associated action plan and confirmed the inclusion of actions relating to the introduction of the 10% social value weighting for environment implementation and the establishment of a Citywide supplier toolkit for tackling climate change. Given that both of these actions have been achieved it is worth revisiting the actions to reflect the next areas of focus for this workstream. For example, an action could be added around the monitoring of supplier commitments and measuring the impact of this to ensure the increased score given to this area is resulting in a quantifiable benefit to the Council.

## **5. Oversight, Monitoring and Reporting**

- 5.1. High level implementation of the CCAP is overseen by the Environment and Climate Change Scrutiny Committee and the Zero Carbon Coordination Group. The Committee meets each month and considers environmental issues concerning the city outlined in the Climate Change Strategy; waste recycling; carbon emissions, flood management; planning policy and related enforcement and parks and green spaces. Quarterly progress reports on CCAP deliver are scrutinised, organised through a formal work programme.
- 5.2. We reviewed previous minutes and scrutiny by Members was evident; key points raised at the January 2022 meeting and associated actions to be taken forward by relevant officers included:
- the request that any questions and issues raised through the scrutiny process were tracked and reported.
  - the need to use the procurement process to address the use of plastics.
  - Assurance that the delivery of social value was being monitored.
  - Further work to be done to ensure all staff and members undertake the carbon literacy training.
- 5.3. The Zero Carbon Coordination Group is a senior officer group chaired by the DCE&CT and the Executive Member for the Environment also attends along with the Zero Carbon team and each of the workstream leads. The group has established four workstreams - decision making, policies and standards; investment and delivery; catalyst for change; and external influence. Procurement is an important part of the decision making and external influence workstreams. The group meets monthly, the first two meetings in the quarter usually consists of a deep dive into a particular action/area to allow for a more focused discussion with the final meeting of the quarter to review the CCAP quarterly progress update.

- 5.4. More detailed scrutiny of specific actions are monitored through the programme of workstream meetings and these are held twice a quarter. The workstream lead chairs the meeting and all action owners attend these. We understand the workstream meetings are not minuted, these are more of a discussion but the updated position reported in the quarterly report should flow from these. Consideration should be given to documenting any key actions from this group discussion to minimise the risk of slippage or areas being missed.
- 5.5. Governance and oversight of social value is through the Social Value Governance Board, this is chaired by the DCE&CT. Given the consistency in the Chair position for both the Social Value Governance Board and the Zero Carbon Coordination Group this should ensure a coordinated approach to the progression of carbon reduction specific actions.
- 5.6. A review of the latest minutes from December 2021 confirmed that whilst the focus is social value this also considers the environmental element that has been added to the scoring of tenders. Minutes are produced to reflect the items discussed at each meeting and they assign actions where relevant for these to be taken forward.
- 5.7. Our review of minutes also confirmed the existence of a SV Governance Board subgroup with a “task and finish” remit to look at options for the development of social value monitoring reports which is critical to enable the impact the contribution of suppliers is making to this agenda to be determined and quantified. Given the number of groups involved in monitoring our climate change activity we consider there is a need to ensure that there is clarity over the respective roles, remit, decision making, oversight and accountability functions of each. This should help to reduce the risk of duplication whilst also ensuring no areas are missed.
- 5.8. There is a social value commissioning and contracts leads group, an operational group whose aim is to share and embed good practice across directorates in terms of social value. This should help to increase and enhance the benefits achieved through the introduction of carbon reduction requirements in Council contracts.

## **6. CCAP Quarterly Progress Update Report**

- 6.1. We reviewed the latest progress update available at the time of our review (Quarter 3). This reflected the current position of the workstream in terms of each key action and provided confirmation that the additional 10% weighting is now standard for all new procurement contracts. This also provided assurance that the wider ICP team have been briefed in how to provide guidance on assessing tenders.
- 6.2. The update highlights that further work is needed to develop a streamlined process for capturing and analysing this data on an annual basis throughout the contract period and steps are needed to better understand existing emissions in the Council’s supply chain and create a baseline of data. The

progress update accurately reflected the position in terms of guidance for suppliers which is now published on the website and guidance for commissioners in terms of the evaluation of tenders was being developed. The update report did not include an expected timescale for completion of this however, we recommend that this is completed as soon as possible given that the additional 10% should now be being applied. Without the availability of guidance for commissioners there is a risk that officers are not equipped to effectively evaluate tenders which could lead to challenges over how to score tenders effectively.

- 6.3. Whilst data regarding the number of tenders where the 10% has been used/not used is not routinely captured the ICP were able to produce this when asked. This however did not include capital programmes tenders. We consider it would be beneficial to capture this data routinely to provide assurance that application is uniform across directorates and to assess the impact at a later date. Data will highlight areas where the inclusion of the full 10% is more challenging and areas which may benefit from greater support in order to be able to achieve this.
- 6.4. A spreadsheet tracker is used by the Zero Carbon team to manage the coordination and collation of progress for the quarterly reports. We reviewed the tracker for workstream three and confirmed that this included each of the current key actions within the workstream along with an assigned action owner.
- 6.5. We noted this extends beyond the subject of procurement given the breadth of the workstream. For each quarter the tracker allows for detail to be provided on any risks and issues, quantified results/KPIs, any press coverage or photos and a narrative of the current position and what has changed since the previous quarter. We confirmed the information collected here is then used in the production of the CCAP quarterly progress update. Whilst the cumulative position at each quarter is included in the tracker this does not include an overall timescale/target date for the completion of each individual action which would be helpful to determine whether actions are on track or may help to identify any slippages.

## **7. Guidance and Support for Suppliers**

- 7.1. One way in which prospective and existing suppliers are informed of the Council's stance on environmental matters is through the Ethical Procurement Policy displayed on the Council's website. This sets out the core objectives the Council has agreed to deliver through its commissioning and procurement activities and highlights the importance of suppliers' commitment to employing the highest ethical standards and ensuring maximum benefits are gained for improving economic, social, and environmental wellbeing. The policy contains a section on environment where suppliers are informed that they will be asked in any tenders with the Council to set out the measures they will take to reduce their own carbon emissions and how these will be monitored.

- 7.2. A key procurement related action within workstream three relates to the development and launch of a supplier toolkit. We confirmed that work on this has progressed and it is now available for suppliers to view on the Council's website, through the business and investment pages. The guidance entitled Social Value and Environment Guidance for Suppliers and Bidders for Council Contract Opportunities is currently marked as being a working document with any feedback welcomed on how it could be improved. The ICP's general email address is provided for this purpose. The guidance will be developed and updated over time to reflect developments in the climate change agenda but the document should be identified as a definitive document rather than a work in progress.
- 7.3. This demonstrates the Council's commitment to the provision of support to suppliers in their approach to carbon reduction and a willingness to adapt guidance where feedback is received, this should help to maximise the social, environmental and economic benefit to Manchester residents and communities from our contracts. We understand that suppliers will have different levels of experience and understanding in relation to environmental sustainability and therefore the accessibility of comprehensive guidance and support is important.
- 7.4. The guidance is split into two parts with the first focusing on Social Value and the second on the Environment. This provides an explanation to suppliers that the Council is calling on individuals and organisations to act and are looking for suppliers that are committed to reducing their emissions and supporting the city's net zero ambition.
- 7.5. The guide aims to set out further what the Council is looking for through the 10% evaluation weighting and how suppliers can make a difference by reducing their carbon footprint. This then goes on to cover the following topics to assist suppliers in their bids:
- What do we mean by carbon emissions?
  - What are we looking for from suppliers?
  - Example questions we may ask in Invitations to Tender  What makes a good response?
  - Contract Monitoring
  - Where to find further guidance and support.
- 7.6. The guidance makes clear that the wording of questions may vary depending in the nature and scale of contract although acknowledges that typically two questions will be included as a minimum one on measurement and one on actions to reduce emissions.
- 7.7. Supplementary questions may be used to gain further detail dependent on the nature of the contract. Example supplementary questions are provided which may be asked particularly in the case of higher value contracts. This was in alignment with our discussions with key officers in that in some Invitation to Tenders (ITTs) we will ask more questions or in smaller value contracts we may just ask one question.

- 7.8. In advising on what makes a 'good response' this sets out that there is a clear basis for measuring emissions, evidence of a clear, detailed action plan for reducing emissions and proposed targets and the establishment of baseline emissions. The document also includes expectations in terms of contract monitoring and that specific commitments made in the bid will be captured in the contract and monitored throughout the life of the contract.
- 7.9. Suppliers are also signposted to further guidance and support should they require it including carbon tools, how to reduce their carbon footprint, example carbon reduction plan, case studies and resources for helping organisations reduce emissions. Other work being explored is the provision of supplier training to improve their understanding of this area which should lead to us getting the best out of our contracts, this approach is likely to consist of engagement events and directing organisations to training offers for Greater Manchester businesses as has been done previously in the supplier guidance. Further to this, whilst procurement officers have undertaken carbon literacy training more specific training on working with suppliers has been identified by management as being required.
- 7.10. Discussions with a sample of officers who have used the weighting within tenders highlighted the challenges experienced by smaller organisations in developing their environmental responses and this can be seen as quite overwhelming for them. As such, further work may be required to support smaller organisations to reduce the impact this has on them in the award of Council contracts.

## **8. Guidance and Support for Commissioners**

- 8.1. The CCAP quarterly tracker identifies the next step in terms of guidance is the provision of a toolkit for commissioners to assist them in their evaluation of bids from suppliers. We support the timely progression and completion of this to prevent challenges in the effective scoring and evaluation of environmental factors within bids.
- 8.2. Our sample testing highlighted some observations from officers where the 10% weighting had been applied which should be considered in the production of any guidance. This included the provision of optional tender evaluation training to those officers who may lack experience or confidence in doing this and would benefit from some additional support. There could be options for others across the organisation who are more experienced in this to contribute or support this. Another consideration could be for training to be made mandatory to facilitate a consistent approach across Directorates. Feedback also consisted of the inclusion of examples in guidance to show for example what a score of '1, 3, 5' etc would look like from the response provided. This is something that currently features in corporate social value commissioner guidance and we consider something similar for environmental responses would be beneficial.
- 8.3. We considered the provision and availability of other support to commissioners given the commissioner toolkit has yet to be finalised. This included a review



of the intranet and key procurement templates and guidance. We noted from a review of the current published guidance available to officers on tender evaluations (Procurement Guidance No.10 Evaluation Criteria – Weighting and Scoring) whilst the correct weighting was included for Environment this still states this was ‘waiting for approval to be used in tenders’. Given there is an expectation for this to be applied in tenders this should be updated to ensure consistent messaging in corporate guidance in our approach.

- 8.4. Other ways in which the Council aims to increase knowledge and awareness of our climate ambitions and to improve the carbon literacy of our workforce is through updates and information in corporate broadcasts and the provision of organisation wide training. Whilst there has been no formal training provided on the evaluation and scoring of this element of tenders, we understand ICP have been involved in providing advice and individuals are learning as they go.
- 8.5. The scoring of carbon reduction measures in tenders has been in use within the highways service for a longer timeframe given their involvement in the trial. Discussions with the Strategic Programme Manager confirmed her role as a moderator and the provision of critical challenge to other evaluators given her experience in scoring social value. This is an area that could be explored to allow commissioners to reach out for support to others who have had more experience of evaluating and scoring tenders.
- 8.6. The CCAP refers to carbon literacy training and that over 1,000 have already received training and large-scale training sessions were underway for the top 300 managers in the organisation, alongside targeted sessions focusing on specific services. The training aims to increase individuals’ awareness of the carbon dioxide costs and impacts of everyday activities, and the ability and motivation to reduce emissions on an individual, community and organisational basis. Engagement and awareness throughout the organisation also included sessions at the Council’s Leadership Summit which 400 senior officers attended and coverage within the rolling programme of Listening in Action events for staff.

## **9. Monitoring Post Contract Award**

- 9.1. Through our discussions it was evident that there is an emphasis on seeking SMART commitments from bidders to facilitate the tracking of these through contract monitoring arrangements during the contract period. The expectation is that the monitoring of environmental commitments made in tenders should form an integral part of contract monitoring activity undertaken by the assigned contract manager of the contract.
- 9.2. To facilitate a consistent corporate approach to capturing this data, consideration is currently being given to benefits realisation and how we can best capture and measure the impact gained through our contracts. We understand the Head of ICP is currently working with the university to get a workable tool for measuring and quantifying this. We support work to progress with plans to facilitate the capture and measurement of this data. We were

also made aware of the intention to create a supplier profile that will require updating at least annually that can better capture emissions data.

- 9.3. As stated earlier there was recognition within the latest CCAP quarterly report of the work needed to capture and analyse emissions data. We agree this is a considerable challenge and support the ongoing work to streamline this to allow the impact to be monitored and captured in a consistent way. Similarly, the importance of capturing baseline data to support further development of KPIs and carbon reduction targets is critical. We understand a staggered approach will be taken to collecting baseline data across priority areas and discussions with ICT have commenced to better understand their contracts some of which include carbon reduction targets.

## **10. Conclusion**

- 10.1. The Council has made significant progress in developing its framework and priorities to drive climate change. We were satisfied that work has commenced to use our influence and encourage change amongst our supply chains which is evident through the adoption of a 10% weighting for environmental factors in tender evaluations and the provision of support through published guidance for prospective suppliers to help them in maximising their bids.
- 10.2. To ensure we keep pace with our climate ambitions and targets it is vital to continue this momentum and to progress with proposals for capturing and analysing meaningful baseline data and the subsequent environmental benefits achieved from Council contracts. The role of the contract manager will be key here to ensure any commitments made as part of the tender are monitored, validated, and reported and acted on accordingly.
- 10.3. We acknowledge the significant challenges in capturing this information consistently across Directorates but are assured through our discussions with management that they recognise the benefits this will bring in measuring the impact. Guidance and support for commissioners should be finalised in a timely manner to support colleagues in fulfilling a robust tender evaluation process which will maximise the benefit obtained from our contracts and therefore maximise the positive impact on our communities.