

**cpet**


Central Point of Expertise on Timber

# UK Government's Timber Procurement Policy



## Timber reporting pilot study

July 2009

	Reporting pilot study
	July 2009
	<b>Final report</b>

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# Acronyms

BRE	Building Research Establishment
BREEAM	Building Research Establishment Environmental Assessment Method
CESP	Centre of expertise in sustainable procurement
CoC	Chain of Custody
CPD	Continuing Professional Development
CPET	Central Point of Expertise on Timber
Defra	Department for Environment Food and Rural Affairs
EA	Environment Agency
EAC	Environmental Audit Committee
FC	Forestry Commission
FLEGT	Forest Law Enforcement, Governance and Trade
FSC	Forest Stewardship Council
GPC	Government Procurement Card
ITT	Invitation To Tender
KPI	Key Performance Indicators
NAO	National Audit Office
NDPB	Non-Departmental Public Body
NE	Natural England
NGO	Non-Governmental Organisation
OGC	Office of Government Commerce
OGCBS	Office of Government Commerce Buying Solutions
PCD	Procurement and Contract Division (Defra)
PEFC	Programme for the Endorsement of Forest Certification schemes
SDAP	Sustainable Development Action Plans
SDiG	Sustainable Development in Government
SOGE	Sustainable Operations on the Government Estate
SME	Small and Medium Enterprises

# 1. Background

## 1.1. Introduction to the pilot project

The Parliamentary Environmental Audit Committee, the Sustainable Development Task Force and Ministers have all requested that better information be available on the implementation of the UK Government's timber procurement policy.

In early 2007 Defra commissioned the Central Point of Expertise on Timber (CPET) to conduct a project focusing on implementation of the timber procurement policy within the construction sector<sup>1</sup> see box below.

The Construction Sector Project's conclusions included the following:

- There is some variability in implementation across public bodies and the report recommends that Defra does more to embed the policy and to develop a strategy for raising awareness.
- There is a lack of reporting on timber procurement and it is recommended that a feasible reporting system is implemented, to collect better information relating to policy implementation.
- There is little monitoring of timber policy delivery. To monitor effectively it is necessary to check the reliability of the information reported, and it is recommended that feedback mechanisms are developed which recognise and reward compliance and react to non-compliance.

Based upon these outcomes, one of Defra's actions has been to undertake a pilot study to look specifically at the reporting of timber procurement by government bodies, primarily aimed at:

- Considering different processes and methods, and assessing the best outcomes
- Providing the basis for recommendations to support actions taken by other public and private sector bodies in the future.

This report provides the recommendations from the timber procurement reporting pilot study, with the objective of informing the Government's approach to reporting on timber procurement and monitoring of compliance with the timber procurement policy. This is the first step towards setting up reporting and monitoring systems, which will be a key part of Defra's ongoing strategy to implement the timber procurement policy.

## 1.2. Current timber reporting obligations

At present the timber procurement policy has no associated requirements for reporting. The Sustainable Development in Government (SDiG) annual report did, until relatively recently,

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<sup>1</sup> *Construction Sector Project: Policy implementation and reporting* (CPET, 2008)  
<http://www.proforest.net/cpet/implementation-in-practice/construction-pilot-study/resolveuid/30d14b98ec6a2373df4cd79ab0bf166d>

include data on timber purchasing, but this was dropped in the 2005/6 period. Currently no specific measures exist to assess the level of implementation and compliance with the timber procurement policy.

There are some related obligations on government departments. For example, there are goals for Sustainable Operations for the Government Estate (SOGE) announced by the Prime Minister in 2006 which all central government departments and Executive Agencies have agreed and have now signed up to achieving. There are also relevant mandated mechanisms for departments to implement, including requirements for new builds to meet BREEAM 'excellent' standards, and for central departments to have implemented environment management systems, for example.

The government has also set goals on sustainable procurement for central departments in its Sustainable Procurement Action Plan in 2007. These include initiatives to strengthen leadership across central government, build capacity in terms of skills and knowledge and raise standards through mandatory requirements for purchasing goods (including 'Quick Wins' product standards)<sup>2</sup>. The Action Plan listed the timber procurement policy as an agreed mandatory standard to which departmental compliance should be improved. To ensure scrutiny and reporting the Action Plan refers to *building on the strengthened "watchdog" role given to the Sustainable Development Commission (SDC) in 2005, the SDC will report on Departmental progress through progressively including the sustainable procurement commitments set out here in the annual Sustainable Development in Government (SDiG) reports and in their scrutiny of departmental Sustainable Development Action Plans (SDAP). Subject to any future investigations by the NAO or EAC (Environmental Audit Committee), we will invite the SDC to conduct a health-check review of our ambition, plans and progress in this area in 2008.*<sup>3</sup>

The Centre of Expertise in Sustainable Procurement (CESP) was established in 2008 within OGC with an initial focus on environmental sustainability reflecting the government's current priorities within the wider sustainability agenda.

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<sup>2</sup> [http://www.ogc.gov.uk/sustainability\\_background.asp](http://www.ogc.gov.uk/sustainability_background.asp)

<sup>3</sup> *Sustainable procurement action plan* page 5

<http://www.defra.gov.uk/sustainable/government/documents/SustainableProcurementActionPlan.pdf>

## 2. Methodology

The pilot project focused on a limited selection of Defra bodies which were known to have some experience in collecting data on timber purchases or which were expected to be able to give good feedback on the process. The bodies were:

- Environment Agency (EA)
- Natural England (NE)
- the Forestry Commission (FC)
- core Defra (PCD)
- the Royal Botanic Gardens, Kew

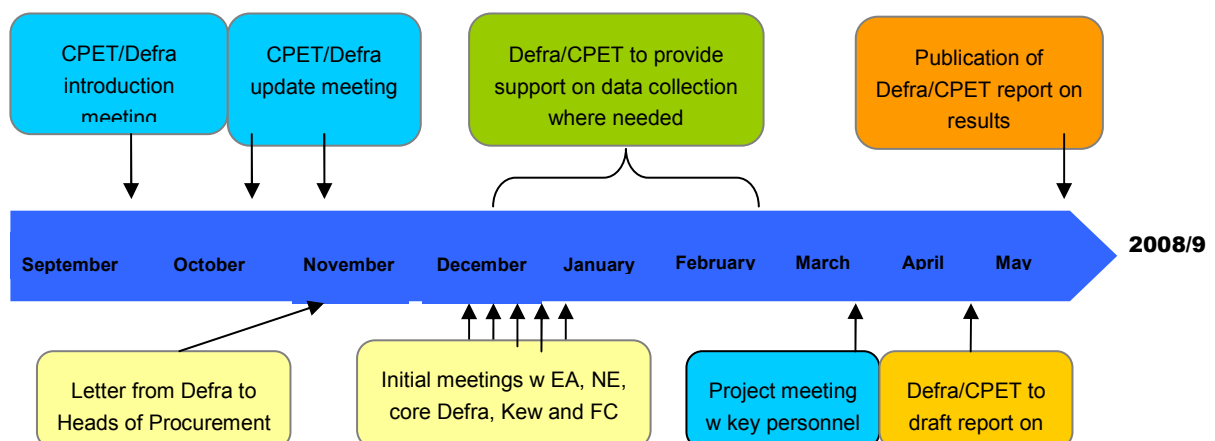
Through meeting relevant individuals within each body, the study explored how these bodies are currently collecting data on their timber purchases, and the degree to which they can demonstrate whether or not it meets the procurement policy. Meetings explored the potential use of reporting templates which are practical to use whilst supplying the data required for monitoring.

The selected bodies were asked to supply real data on timber purchases during the period April–October 2008. The data was initially requested through questionnaires disaggregating purchases according to the following timber product categories:

- construction
- furniture
- paper
- other timber purchase

Each body was consulted and presented with a proposed reporting format, and subsequently provided feedback on the practicalities of providing the requested data, based on what they were currently collecting and on what measures they would have to implement in order to provide the relevant data. The practicalities and constraints relating to reporting for each of these product categories were evaluated in detail, with each of the participant bodies. As a result of this process, the project aimed to identify the optimal combination of approach to timber purchase reporting.

The timeline for the project was as indicated in the diagram below:



## 3. Findings

Findings related to each of the product categories are summarized below in section 3.1, with the overall conclusions identified in section 3.2. Specific case studies relating to the Defra bodies that participated in the pilot project are collated in Annexes A - D.

### 3.1. *Product categories*

#### 3.1.1. Construction

Data collection relating to timber purchased for construction is typically and most practically done on a project by project basis. The findings from the construction sector project, supported by feedback through this project, suggested that information related to timber procurement is often already collected for various objectives (such as BREEAM), and that the required timber reporting is a feasible expectation. More detailed feedback has emphasized that specific reporting requirements should be highlighted as early as possible, so that the required data collection can be incorporated into the project management cycle. It is important in this regard to ensure that the reporting requirements are passed down the supply chain to suppliers and sub-contractors.

The majority of timber and wood products are purchased through the construction sector. Reporting on the quantity of timber purchased by major construction projects would therefore provide data on a considerable percentage of the government's total timber consumption.

#### 3.1.2. Furniture

Defra bodies procure the majority of furniture through the OGC Buying Solutions framework contracts<sup>4</sup>/catalogues. CPET has been consulted on the development of the recently revised furniture contract and it is CPET's understanding that the requirements on timber are fully aligned with UK government policy. In practice all suppliers under the framework are certified and have been instructed only to supply certified furniture through the framework contracts. The framework contract manager audits and spot-checks compliance.

However, the quantity of wood in furniture products will be disproportionately difficult to collect for reporting purposes. Furniture often consists of composite products where the wood is only a small proportion of the overall volume, and estimates of the volume of wood in each purchase would have to be recorded. The time required to collate and manage the data would be considerable, relative to the actual volumes of timber being procured.

#### 3.1.3. Paper

Similar to furniture, Defra bodies also procure the majority of paper/stationary products through the OGC Buying Solutions framework contracts/ catalogues. OGC Buying Solutions

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<sup>4</sup> A framework is a general term for agreements that set out terms and conditions for making specific purchases (call-offs).

have included the policy in the new paper framework contract which starts in September 2009 when the old framework ends.

Data collected over 6 months (April 08-October 08) from NE shows that the second largest spend area was Office support services, which covers all paper/paper derived stationery products purchased from the *BUY4NE* shared catalogues (Defra/OGC contracts). Over this period about 87% of stationary was purchased from catalogue.

However, as with furniture products, the quantity of wood in paper/stationary products will also be relatively difficult to collect. The quantity of paper products are often recorded in weight by tonnage, but again to collect data for each purchase will require considerable work relative to the actual volumes of timber being procured.

### **3.1.4. Other timber products**

This category includes all timber and timber products which do not fall under one of the above categories. It includes for example purchases for such diverse purposes as fencing and catering. Purchases in this category can be considerable; for example, for a Natural England woodland project, wooden fencing material costing more than £56,000 was purchased (see Annex A for details), while core Defra catering timber products (e.g. wooden cutlery, paper cups and napkins) purchased were estimated to add up to almost 7000 kg over the course of a year (see Annex B for details).

However, for all such purchases, the costs and difficulties of the proposed reporting would be disproportionate to the volumes of timber procured. There are also often difficulties in collecting consistent data, because of the diversity of products and the challenge of consistently interpreting timber content and value.

## **3.2. Conclusions**

There are two main conclusions, relating firstly to the construction sector and secondly to other product categories.

### **Construction sector**

Data on the quantity of timber purchases and evidence of compliance with the timber procurement policy can be requested for major construction projects (new builds and refurbishment) identified through a defined threshold level based on total spend. The collection of such data would be feasible and beneficial, given the level of timber spend through construction projects.

The responsibility for collecting the data and ensuring compliance from all supplies including those through sub-contractors should be that of the main contractor. The reporting requirements should be highlighted to the main contractor at the design phase or as early as possible and the frequency of the reporting should be agreed. A standardised reporting format would ensure consistency across the public sector. See example for a construction project A in table 1, below. Spot checks to ensure adequacy of the data provided should be made by the public body contract manager or as a part of an internal audit procedure.

**Table 1: Proposed format for reporting: Construction project reporting**

Volume	Certified FSC or PEFC (Category A evidence)	Other evidence of compliance (Category B evidence)	Recycled	Inadequate or No evidence available
Construction project A				

**Other product categories**

To request data on the quantity of wood purchased for product groups other than construction will be difficult and will require a lot of work to ensure reliable data. Resource implications have been evaluated in some detail by the Environment Agency who is monitoring compliance against policy only and extensive collection of quantitative data would require much greater resource (see Annex C for details). The challenge of maintaining an adequate level of reporting on quantity has been illustrated by the Forestry Commission (see Annex D for details). It is extremely likely that implementing standardised reporting requirements for these product groups will be disproportionately costly and onerous. It is therefore concluded that it would be more cost effective, for product groups other than construction, to focus on ensuring compliance with the policy through the implementation of appropriate monitoring systems.

Implementation of monitoring requirements of direct and indirect purchases will aim to provide assurance that the only sustainable timber and wood products are purchased in compliance with the policy. The type and intensity of monitoring by different public bodies should reflect any existing procedures in place, the volume of timber and wood products purchased, and the risk that any of the timber products purchased may not comply with the procurement policy. For bodies, such as the Environment Agency, where timber purchases cut a cross a wide range of products including potentially high risk products, the resources required to ensure compliance will have to be comparatively high. The majority of public bodies are ‘office based’, with minimal wood and timber consumption, consequently fewer resources are required to implement a monitoring system. Where central measures have been taken to ensure compliance with the policy, such as through the use of framework contracts, this would also influence the level of monitoring required.

Centrally arranged external audits to check the compliance with the policy would also be desirable. The audits could be limited to randomly selected samples. The National Audit Office (NAO) could be asked to conduct these spot checks, for example, with technical support from CPET.

The implementation of a monitoring system to ensure implementation and compliance with the government’s timber procurement policy should also be highlighted through the SOGE requirements. The following questions and table could be added to SOGE:

1. How do you ensure compliance with the government’s timber procurement policy?
2. How much timber was purchased through your major construction projects and what was the evidence of compliance, please fill out table 2.

**Table 2: Possible format for construction projects reporting via SOGE**

Spend/ Volume	Certified FSC,PEFC (Category A evidence)	Other evidence of compliance (Category B evidence)	Recycled	Inadequate or No evidence available
Construction project A				
Construction project B				

## 4. Recommendations

Based on the conclusions drawn from this reporting study, summarised in section 3.2 above, the main recommendations together with proposed activities are outlined below.

### ***4.1. Reporting requirements for major construction projects***

#### **Recommendation:**

It is recommended that reporting on timber purchases for all larger construction projects (new builds and refurbishment, above a defined threshold value), should be compulsory. The mechanism for enforcing this should be determined by Defra.

#### **Reporting requirements for major construction projects proposed activities:**

- 1. Define larger construction projects required to report on timber based on the value of the project.**
- 2. Inform all mandated bodies and construction sector about the compulsory reporting requirements.**
- 3. Direct all relevant public sector bodies and the wider construction sector to a standardised reporting format, maximising synergies with BREEAM and other equivalent initiatives.**
- 4. Develop mechanisms to collate information and review overall compliance levels.**
- 5. Integrate with auditing processes developed (see below).**

### ***4.2. Monitoring of compliance with the policy***

#### **Recommendation:**

It is recommended that for all timber and wood products that are not purchased for a major construction project (as defined above), compliance with the timber procurement policy should be checked through implementation of appropriate monitoring requirements. All relevant public sector bodies would be required to operate an appropriate system of internal spot-checks and audits, supplemented by an external programme across government.

**Monitoring of compliance with the policy proposed activities:**

- 1. Identify mechanisms to install internal monitoring or audit systems to check implementation of procurement policy.**
- 2. Inform all mandated bodies about the compulsory monitoring requirements, and provide supporting guidance.**
- 3. Reaffirm responsibility and commitment within all mandated bodies, by requiring that monitoring systems are signed off by the Chief Reporting Officer.**
- 4. Identify mechanisms to ensure that the National Audit Office (NAO), or another appropriate body, conducts regular spot checks across Government to provide independent scrutiny of monitoring systems.**
- 5. Consider to add questions on reporting and monitoring to the SOGE requirements.**

## **Annex A: Natural England**

A major proportion of timber procured by Natural England is actually purchased by third parties under management agreements. Data collected for April 08 - October 08 shows that direct purchases add up to just over £91k, with the majority (£65k) being spent under the rural services (fencing, gates, boardwalks) category. However this data excludes Management Agreement capital works (these agreements are used when other stewardship schemes are not appropriate) which adds up to a total spend for Apr-Sept 08 of £78k with estimates of up to £40k for fencing. The management agreements cover the cases where farmers are funded to put up fencing if grazing is required by NE. In conclusion it will be very difficult to collect the data through the management agreements. Reporting requirements would need to be included in the agreements.

### **The Cornwall China Clay Woodland Project Aug 07 – Aug 08**

The China Clay Woodland Project was a partnership led by Natural England, working with Imerys, the Forestry Commission, Cornwall County Council and Restormel District Council. Its aims were to address some of the key issues of mining legacy by regenerating the landscape of the clay extraction area around St Austell in Cornwall. The project identified a number of sites requiring fencing to separate grazing animals from newly planted trees. A budget of £80K was earmarked for this work under the project.

#### **Procurement Strategy**

The procurement team advised this need could be met by setting up a framework of fencing contactors. As project funding had been awarded for community regeneration, the inclusion of SMEs was an important factor in the process. The potential risk of not purchasing legal and sustainable timber, leading to failure to comply with policy and reputational risk to the project and Natural England, would be mitigated by informing all potential suppliers of the policy and process required should they want to bid.

The project officer identified 11 potential suppliers and they were all invited to attend a presentation at the local Natural England office, close to the project site. After the presentation there was a Q&A session followed by a site visit, to understand the full Health and Safety (H&S) implications of working on a live mining site. All attended and all were invited to tender.

Three suppliers tendered; this low response may have been due to many reasons, the requirement for legal and sustainable being one and the onerous H&S requirements on site, another. No feedback was sought. All 3 contractors indicated that they would source the timber from a certified supplier and provided the COC number. The CoC numbers were checked online and accepted and all 3 contractors were found to meet the requirements and were accepted onto the framework. Eight purchases of fencing material were made from the framework all from the same contractor. A total £56,038.07 was spent on timber against the framework.

The project officer checked that they received certified products by checking the delivery notes, however, these have not been retained. The invoices did not identify the products as certified.

## Checking compliance

Topan fencing assured that they do retain copies of their delivery notes from M & M Timber in order to provide evidence of compliance. If requested, they will also remove labels from timber and retain as evidence of compliance. All their timber is now certified as all their orders request this. Copies of delivery notes relating to the above orders have been requested.

## Annex B: Core Defra catering timber products purchases

Product	Quantity box	Weight (kg) box	Nobel House consumption qty	Nobel House consumption weight	Whitehall Place consumption qty	Whitehall Place consumption weight	Total Quantity	Total Weight (kg)
Fibre cup carrier	300	9	240	7	75	2	315	9
Recycled bleach free napkins	6000	11	7500	14	1620	3	9120	17
Brown Kraft string paper bags	1000	12.5	400	5	150	2	550	7
Wooden forks	2000	5	1140	3	360	1	1500	4
Wooden knives	2000	5	1200	3	350	1	1550	4
Wooden spoons	2000	6	1360	4	398	1	1758	5
Wooden stirrers	1000	0.8	3250	3	250	0	3500	3
Kraft Ripple Cups	600	6	672	7	173	2	845	8
Biodegradable food boxes	250	6	568	14	138	3	705	17
Down to Earth coffee cups	600	12	1950	39	1050	21	3000	60
<b>Average Consumption per week</b>				<b>98</b>		<b>36</b>		<b>134</b>

Product	Quantity box	Weight (kg) box	Nobel House consumption qty	Nobel House consumption weight	Whitehall Place consumption qty	Whitehall Place consumption weight	Total Quantity	Total Weight (kg)
Fibre cup carrier	300	9	12096	363	3780	113	15876	476
Recycled bleach free napkins	6000	11	378000	693	81648	150	459648	843
Brown Kraft string paper bags	1000	12.5	20160	252	7560	95	27720	347
Wooden forks	2000	5	57456	144	18144	45	75600	189
Wooden knives	2000	5	60480	151	17640	44	78120	195
Wooden spoons	2000	6	68544	206	20059	60	88603	266
Wooden stirrers	1000	0.8	163800	131	12600	10	176400	141
Kraft Ripple Cups	600	6	33869	339	8739	87	42608	426
Biodegradable food boxes	250	6	28602	666	6930	166	35532	853
Down to Earth coffee cups	600	12	98280	1966	52920	1058	151200	3024
<b>Average Consumption per annum</b>				<b>4930</b>		<b>1829</b>		<b>6760</b>

## Annex C: Environment Agency

The EA timber procurement policy, which is based on the UK government's policy, was launched on 1 April 2007 and the approach won the 'Best Process Improvement' award<sup>5</sup> in September 2008. The CPET construction sector study also found that the EA is a leader in implementing and monitoring their timber procurement policy and a good example for other public bodies to follow. The Environment Agency has through implementation, proved that it is possible to monitor compliance with the policy. The Environment Agency (EA) is an executive Non-Departmental Public Body and employs around 13,000 staff and in 2007-08 had an operational budget of £1.025 billion<sup>6</sup>. Timber purchases cut across a wide range of products such as furniture and paper, but also include tropical hardwood for use in marine and freshwater construction, habitat restoration etc. The majority of timber purchased by the EA is for construction and the average annual spend of approximately £1M, but can be as high as £3M.

The EA has conducted research into the resources needed to ensure compliance with the policy, and estimates that the initial policy development, implementation and roll-out across the EA added up to 45 working days (see details in table 1 below). The ongoing monitoring, training of staff, support and advice which is required to ensure continued compliance with the policy is estimated to require a third of an employee's time ~70 days per year, although the quantity and variety of timber purchased by the majority of other public bodies is expected to be less than that purchased by the EA (see details in table 2 below). It should be noted that the resource estimates are based on monitoring compliance against policy and not extensive collection of quantitative data. Much greater resource would be required to undertake any more onerous reporting on volumes.

**Table 1**

	<b>Policy development, initial implementation and roll-out</b>
Initial research on policy options	16 hours
Development on policy and sign-off	37 hours
Drafting of new procedures and processes	80 hours
Roll-out training across all regions	150 hours**
IT systems re-configuration	16 hours
Set up of national contract (on back of OGC)	37 hours
<b>TOTAL</b>	<b>336 hours (approx. 0.2fte)***</b>

<sup>5</sup> 'Best Process Improvement' award at the Chartered Institute of Purchasing and Supply (CIPS)

<sup>6</sup> Environment Agency Annual Report and Accounts 2007-2008 <http://publications.environment-agency.gov.uk/pdf/GEHO0708BOFC-e-e.pdf>

**Table 2**

	<b>Ongoing monitoring, training etc</b>
Auditing of charge card expenditure	96 hours per annum
Authorisation and auditing of Oracle (1B1S) timber requisitions	96 hours per annum
Approval of business cases for use tropical hardwood	48 hours per annum
Auditing, management and site survey of National Construction Framework (NCF) contractors	140 hours per annum*
Refresher training	37 hours per annum**
Management of National Contract with Jewsons and Wolseley (on back of OGC contract)	48 hrs per annum
Ad hoc support and advice, e.g. management of other contracts (Minor Works, Furniture, Facilities) that involve purchase of timber	48 hours per annum
<b>TOTAL</b>	<b>513 hours (approx. 0.3 fte per annum)***</b>

**Notes:**

\* = excludes time spent by contractors to meet Agency requirements

\*\* = trainer time only, i.e. excludes staff time to attend training briefings

\*\*\* = 1 fte is 220 working days per annum; a working day is 7.4 hours

## Annex D: Forestry Commission online timber purchasing recording system

Some government bodies have been implementing reporting requirements on timber and monitoring of the timber procurement policy. The Forestry Commission (FC) initiated data collection on timber purchases and evidence of compliance in 2001 as a part of the FC's Greening Operations Initiative. The Operational Guidance Booklet number 25 (OGB 25) (version 1.1 March 2007) instructs and requires Forestry Commission Cost Centres (CFAC) to record all timber purchases through an online recording system on the FC Intranet Site. The recording is to be done when invoices are input into the CFAC system by administration staff. It is requested that personnel report on product category (Round timber, Sawn timber products, General purpose panels, Special hardwood panels and flooring, Prefabricated structures or Furniture) and evidence provided: certified products (FSC, PEFC, CSA or SFI certificated products), evidence of sustainable sourcing but not certified (e.g. credible documents claiming sustainable forest sources, but no formal certificate, timber from known local source) or no evidence about sustainability available. The recording system only applies to direct purchases by FC personnel and excludes purchases of paper and timber purchased by contractors and sub-contractors managing and supplying for example construction projects.

The reporting system is, however, reported to be falling out of use and the amount of timber recorded is declining (see chart below). This is probably due to the lack of requirements for data collection. One of the factors that may have initiated the high number of data being collected in 2004-2005 could have been the requirements set through the SDiG for reporting on spend. This indicates that central reporting requirements should be able to push departments to record data. The OGB 25 is currently being revised and the recording requirements can be re-launched and enforced based on recommendations from Defra. A summary of the reports over the years is provided in the diagram below, which shows the total spend for timber purchases recorded by FC 2001-2008:

