

Materials and resources

Our services, covering a diverse area, require a dedicated system of procurement (purchase). We recognise that our procurement activities are key to our overall performance as responsible and prudent water supply and wastewater treatment operators. It is our policy to maintain a supplier base management system for our day-to-day procurement needs.

Background

Our supplier base management system covers:

- Purchasing and procurement processes and management
- Supplier and supply chain management
- Contract and tender administration
- Framework agreement management
- Stock logistics and management

Chemicals are in use at many Southern Water sites



Our procurement team is responsible for establishing and maintaining framework agreements for the procurement of goods and services. A framework agreement is essentially a standing offer based on conditions e.g. of price, quality. This is agreed between our supplier and us. We rank framework agreements in terms of criticality to our business and manage them accordingly. There are a series of internal procedures our employees must use in order that we manage our risk-exposure as a company.

For more information

See *Managing our Future in the Performance Summary* section of this report at www.southernwater.co.uk/sustainability

These procedures are formalised in a guide produced for our employees. We also employ a management system across our procurement of works, goods and services. This is defined through a series of procedures covering our procurement processes and practices.

Formal procedures for screening our suppliers of products and services are set-out in our environmental management system. We have a formal risk-screening process in place that determines our environmental procurement audit programme for the coming year.

We apply a risk assessment process to the services suppliers provide to our business. Over the past year we implemented this via our assessment of new or extended framework agreements. By adopting this process we essentially screened candidates for risk to our business, and prioritised them for our yearly environmental audit programme of suppliers. We review this programme in quarterly meetings.

CASE STUDY

Working with suppliers

As part of our programme to audit suppliers we visited three chemical suppliers. These suppliers were bidding for the same contract. Each audit involved discussions with employees from each company and a brief site walk-around of their operations. We then produced a separate report of the results from each visit. In order to assist our procurement team, we additionally produced a summary report comparing the results of the visits so that the risks and benefits of each potential supplier were set out alongside each other.

As part of this final report, we attempted to compare the different operating costs to our business of using each supplier – other than direct costs of the service that our procurement team assess. These costs largely related to the different ways each company approached packaging. Approaches included leaving it at our sites for us to manage a disposal or recycling route, or taking back containers or packaging either for re-use or recycling.

Representatives from our environment and wastewater process teams provided further technical support to our procurement team at supplier presentation stage. This was of help, for example, in addressing environmental risks associated with each service and the management of these. When contracts were finally drawn-up and offered, we included statements of environmental commitment for the supplying organisations to sign-up to. These commitments included requirements to report on progress in the implementation of environmental management systems, particularly with regard to:

- reduction of environmental impacts
- packaging monitoring (waste left at our sites and packaging collected for re-use and recycling)
- vehicle miles per litre of product supplied
- response time to environmental queries we might raise

LINKS: www.cia.org.uk | www.envirowise.gov.uk | www.environment-agency.gov.uk | www.achilles.co.uk |

We use the Environment Agency's approved criteria in the selection of our suppliers. We follow detailed procedures in carrying out environmental audits to ensure consistency. We provide audit results to our suppliers. This can assist them to improve their environmental performance. Our procurement team use results of audits to highlight any risks and help identify measures needed to mitigate these. We can then address supplier-risks formally, prior to finalisation of framework agreement contracts.

Quarterly meetings over the past year between our procurement and environment teams proved useful in driving forward supplier-specific issues. For example, the adoption of key performance indicators into working agreements with suppliers.

We continued to influence our suppliers to provide regular updates on the service they supply to us. For example, requesting performance information on process efficiencies, product volumes supplied and general progress with supplier environmental management. This information assists us to manage our relationships with suppliers through tracking of our mutual exposure to environmental and other commercial risks.

Our programme of monitoring chemical use continues. We appointed a process scientist to manage all chemical contracts in our procurement department. We undertook a series of chemical audits at our major water supply works over the course of the past year. The audits looked at systems and processes

at each site in detail and provided a series of recommendations. We also undertook a trial study to establish a chemical usage profile of a site process. Trial results showed delivery and usage trends matched well, indicating any associated storage or spillage risks were well managed.

2003-2004 target	Progress against target	2004-2005 target
MATERIALS AND RESOURCES		
Undertake procurement audits of preferred contractors for key contracts.	Target met. 	Continue to assess key contracts and undertake risk based comparative procurement audits of key framework suppliers.
Develop an environmental questionnaire to be included in tender documentation and establish a baseline for environmental performance of suppliers.	Target met. 	
Trial study to review consumption of dosed chemicals at wastewater treatment works.	Target met. 	Conduct a review of all chemical contracts and chemical use across the business.
Undertake audits to optimise chemical use at major surface water supply works.	Target met. 	Maintain target
Enhance chemical use data at wastewater treatment works.	Target met. 	Maintain and further develop chemical use database.
Monitor oil use between water supply sites.	Target met. 	Monitor oil use between water supply works. Optimise chemical dosage at all newly commissioned sites following takeover.

KEY: Target met  In progress  Target not met 