

CIRCULAR ECONOMY IN PROCUREMENT:

2024 Discussion Paper on
Key Actions for Councils

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Acknowledgement of Country



In the spirit of reconciliation, Local Government Procurement (LGP) acknowledges the Traditional Custodians of Country throughout this nation, and recognises the continuing connection to land, water and communities. We pay our respects to elders, past, present, and emerging.

Acknowledgement of authorship



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Since the publication of LGP's [white paper](#)¹ on **Circular Economy in Procurement: Challenges and Recommendations for NSW Local Governments** in May 2024, there has been significant interest in implementing its recommendations to advance circular economy practices. The insights and strategies sparked discussions and initiatives, highlighting the relevance of the initial findings.

As the original [white paper's](#) data was collected in 2023, this presented an exciting opportunity to refresh the information and capture the evolving challenges and opportunities councils faced in 2024. To address this, an interactive workshop was conducted as part of LGP conference 2024 with over 100 attendees. The workshop revisited and tested the challenges and recommendations identified in the original [white paper](#), allowing us to validate their relevance and uncover emerging trends in the sector.

This discussion paper outlines key findings from the 2024 workshop, shedding light on new challenges and trends while presenting **Four Targeted Actions** for councils to address these challenges effectively. The paper builds upon foundational recommendations of the original [white paper](#) and integrates fresh insights to support councils on their journey towards a more circular and sustainable future.

¹ <https://lgp.org.au/wp-content/uploads/2024/05/Circular-Economy-White-Paper-May-2024.pdf>



Circular Economy (CE) has gained significant attention in the market, driven by growing awareness of its benefits, ESG regulatory frameworks, and the need for sustainable procurement management. Our original [white paper](#) provides a comprehensive foundation on CE, including its importance, the advantages it offers, and the regulatory landscape within procurement.

To address CE concerns and gather local government insights, we conducted a survey of NSW councils from June to July 2023: 69 respondents from 49 councils completed the questionnaire, providing valuable perspectives on their practices and challenges related to CE in procurement.

In the original [white paper](#), we identified five main challenges faced by NSW councils in their CE initiatives. These challenges, listed by priority, include **“lack of staff knowledge or expertise”**, **“cost to implement”**, **“insufficient leadership support”**, **“limited case studies to demonstrate value”**, and **“supply chain issues”**. Each of these challenges is explained in detail in the original [white paper](#), providing insights into the specific barriers that councils encounter.

To help councils overcome these challenges, we also developed a list of targeted recommendations, mapped to each procurement process (planning, sourcing, managing) as shown in Table 1. Each recommendation addresses specific issues identified and is explained in the original [white paper](#), offering actionable guidance for councils striving to integrate CE principles more effectively into their procurement process.

Table 1. List of recommendations to overcome CE challenges (source: LGP's white paper)

No	Recommendations	NSW Government Procurement Policy Framework			Top five barriers				
		Plan	Source	Manage	Lack of staff knowledge or expertise	Cost to implement	Insufficient leadership support	Insufficient case studies to demonstrate value	Supply chain issues
1	Developing comprehensive training programs	P1,2,3	S1,2,3	M1,2,3	✓				
2	Engagement of key stakeholders in the evaluation panel		S1,2		✓				
3	Life cycle assessment integration		S2			✓			
4	Cost monitoring and analysis			M2		✓			
5	Executive training programs	P3					✓		
6	Incorporating circular economy goals into strategic plans	P3					✓		
7	Establishing a circular economy steering committee	P3					✓		
8	Executive mentoring and coaching	P1,2,3	S1,2,3	M1,2,3			✓		
9	Key performance indicators and reporting			M2			✓		
10	Leveraging case studies	P1						✓	
11	Knowledge sharing and collaboration	P1,2,3	S1,2,3	M1,2,3				✓	
12	Promoting internal success stories			M3				✓	
13	Market research for sustainable/circular solutions	P2						✓	
14	Benchmarking against peers	P1,2,3	S1,2,3	M1,2,3				✓	
15	Supplier engagement and education			M1					✓
16	Supply chain transparency and traceability			M2					✓
17	Contract clauses for circularity		S3						✓
18	Supplier performance evaluation criteria		S1,2						✓
19	Supplier Code of Conduct		S1						✓

In 2024, new policies such as the [Environmentally Sustainable Procurement](#) policy were introduced to encourage councils to advance CE practices, with an emphasis on enhancing sustainability and waste management. Despite these regulatory developments, councils continue to face challenges in embedding CE principles into their procurement and operational processes, which limits progress from a procurement perspective.

To address these ongoing issues and assess any shifts since the previous year, we facilitated an interactive workshop with over 100 attendees at the LGP Conference on 29 October 2024. The aim of the workshop was to review the challenges and recommendations identified in the original [white paper](#) and explore emerging issues and potential strategies for improvement.

In the workshop, we asked participants four key questions:

1. **What are the current challenges?** — Participants were prompted to select the three most pressing challenges from a list of five issues previously identified in the original white paper. This exercise was intended to validate if these challenges remain relevant and understand which ones are now considered most critical.
2. **Are there any additional challenges?** — Beyond the original list, attendees were asked to identify other challenges they currently face or anticipate facing in the future. This question allowed for new insights and consideration of barriers that may have emerged over the past year.
3. **What recommendations should be prioritised?** — From a set of 19 recommendations initially outlined in the original white paper, participants selected the top five they would prioritise. This provided a clear view of which strategies councils consider most actionable or impactful to address CE challenges.
4. **Are there any other recommendations?** — Finally, we invited attendees to suggest any additional actions or best practices they have implemented successfully, fostering a collaborative exchange of ideas to overcome CE barriers.



4.1 Shifts in key challenges

Table 2 illustrates the updated ranking of leading challenges faced by councils in their CE journey, highlighting changes in priorities and perceived barriers since 2023.

Lack of staff knowledge and experience remains the top-ranked challenge, as it did last year. This consistency reflects an ongoing need for capacity building and training to effectively implement CE principles within councils. **Insufficient leadership support** has moved to second place from its previous third position, indicating an increasing recognition of the importance of leadership commitment in driving CE initiatives.

Cost to implement has dropped slightly, now occupying third place after being the dominant second concern last year. This shift indicates that although cost is still an important factor, leadership support has become prominent in councils' considerations.

Supply chain issues have risen to fourth place, with a noticeable increase in responses compared to its previous fifth rank. This shift reflects a growing awareness of the complexities involved in aligning supplier practices with CE goals, as well as the need for a supportive supply chain infrastructure to sustain CE initiatives.

Finally, **insufficient case studies** has fallen to fifth place, receiving fewer responses overall. The low response rate for this barrier may be due to its connection with the broader challenge of a **lack of staff knowledge and experience**, particularly regarding practical applications of CE principles. Recognising this overlap, we have combined "insufficient case studies" with "lack of staff knowledge and experience" in this analysis, as both contribute to the broader need for accessible resources and expertise to guide CE implementation.

Table 2. Ranking for the leading challenges faced by councils in their 2024 CE journey

Main challenges	Responses
Lack of staff knowledge	93
Insufficient leadership support	60
Cost to implement	59
Supply chain issues	50
Insufficient case studies	21

4.2 Emerging challengess

In addition to the leading challenges discussed in the previous section, attendees at the 2024 LGP conference identified several new obstacles that councils are currently facing in their CE journey. These emerging challenges are listed in Table 3.

The **most frequently** cited new challenge is a **lack of resources**, with many councils struggling to secure the financial, human, and technical resources necessary to support CE initiatives. This underscores the pressing need for adequate resourcing in councils.

The second **most significant** challenge identified is **resistance to change**, highlighting the need for effective change management strategies and emphasising the importance of fostering a supportive organisational culture.

Other challenges mentioned by respondents included: **lack of centralised policies**, **political influences**, **lack of CE standards**, **red tape issues**, and **regulatory barriers**. These issues point to the need for more consistent policies and standards, as well as clearer regulatory frameworks to reduce bureaucratic constraints and facilitate smoother adoption of CE practices.

Table 3. List of emerging challenges faced by councils in their 2024 CE journey

Emerging challenges	Responses
Lack of Resourcing	13
Resistance to change	5
Lack of centralised policies	2
Political influences	2
Lack of CE standards	1
Red tape issues	1
Regulatory barriers	1

4.3 Prioritisation of recommendations

Table 4 presents the ranking of 19 recommendations initially outlined in the original [white paper](#), based on feedback from 2024 LGP Conference workshop attendees. This ranking reflects the priorities councils consider most crucial in advancing their CE initiatives.

The highest-priority recommendations, each with over 50 respondents advocating them, were **comprehensive training programs** and **incorporating CE goals into strategic plans**. This highlights the strong demand for structured learning opportunities and the importance of embedding CE objectives within broader council strategies to drive meaningful, organisation-wide action.

The second tier of recommendations, which garnered over 30 votes each, includes **knowledge sharing and collaboration**, **life cycle assessment (LCA)**, **cost monitoring and analysis**, and **market research for sustainable/circular solutions**. These responses underscore the value of sharing CE knowledge across councils and performing life cycle assessments to understand the full impact of CE practices on products and services.

A third group of recommendations, with over 20 votes each, includes **engagement of key stakeholders in the evaluation panel, establishing key performance indicators and reporting, executive training programs, executive mentoring and coaching, establishing a CE steering committee, and contract clauses for circularity**. These recommendations highlight the critical role of executive leadership and oversight in fostering a successful CE transition.

The fourth category, each recommendation with fewer than 20 votes, includes **supplier engagement and education, supplier performance evaluation criteria, supply chain transparency, benchmarking against peers, leveraging case studies, promoting internal success stories, and establishing a supplier code of conduct**. This cluster emphasises the need for effective supply chain management and collaboration with suppliers to embed circular principles.

Each recommendation is thoroughly explained in the original [white paper](#), providing actionable steps for councils to overcome CE-related challenges and accelerate progress.

Table 4. Ranking of the main recommendations of councils in their 2024 CE journey

Main Recommendations	Responses
Comprehensive training programs	60
Incorporating CE goals into strategic plans	53
Knowledge sharing and collaboration	37
Life cycle assessment (LCA)	37
Cost monitoring and analysis	32
Market research for sustainable/circular solutions	30
Engagement of key stakeholders in the evaluation panel	29
Key performance indicators and reporting	28
Executive training programs	24
Executive mentoring and coaching	25
Establishing a CE steering committee	22
Contract clauses for circularity	20
Supplier engagement and education	19
Supplier performance evaluation criteria	17
Supply chain transparency	15
Benchmarking against peers	12
Developing case studies	11
Promoting internal success stories	10
Supplier Code of Conduct	7

4.4 New recommendations

In addition to the recommendations presented in the original [white paper](#), we invited workshop attendees to share any additional strategies they have successfully implemented to overcome barriers in their CE journey. These insights revealed several practical recommendations, as outlined in Table 5, which were suggested by participants as particularly effective.

A closer examination of these new recommendations emphasises the critical role of the procurement aggregator organisations such as **Local Government Procurement (LGP)**, and local government regional groups such as **Regional Organisations of Councils (ROCs)**, and **Joint Organisations (JOs)**. These bodies have been instrumental in supporting neighbouring councils through initiatives such as **joint procurement**, promoting **consistency in CE practices** across regions, and **creating synergies among councils**. By collaborating through networks within the local government sector, councils can benefit from a shared knowledge base, amplifying each other's efforts in their CE initiatives.

Additionally, participants underscored the importance of **securing buy-in from key stakeholders**, including the community, council staff, and councillors. This engagement not only fosters alignment but also strengthens support for CE initiatives, enabling councils to more effectively address challenges and advance their sustainability goals.

Table 5. List of the new recommendations suggested by councils in their 2024 CE journey

New Recommendations
"Joint procurement"
"Consistency amongst all Local Government"
"Synergies with neighbours"
"Reach out to networks within the LG sector and build a shared knowledge experience"
"Community consultation"
"Get councillor and community buy in"
"Staff buy in"
"Buy in from everyone"
"Management directive and genuine funds and time available"
"Trial small projects"
"Mandated reporting on CE for local government"

In this section, we present **Four Targeted Actions** aimed at helping councils overcome key challenges in their CE journey. These actions, named “**train your team and get started**”, “**get leadership on board**”, “**focus on value, not just price**”, and “**strengthen supplier relationships**”, provide practical, actionable recommendations tailored to address the most pressing issues faced by councils.

5.1 Action One: Train your team and get started

The foremost challenge currently facing the sector is a lack of staff knowledge and experience in CE practices. Addressing this issue is critical for empowering councils to effectively implement CE initiatives. Below, we outline a series of recommendations identified in the 2024 workshop, presented as **Action One** to enhance CE knowledge and expertise within councils.

As suggested by workshop attendees (see Table 4), the first and most impactful recommendation is to **develop and attend comprehensive training programs** on CE principles in procurement. This approach not only builds foundational knowledge but can also indirectly alleviate the “cost to implement” challenge by equipping staff with skills to determine the total cost of ownership, thereby shifting the focus away from upfront costs.

Another essential recommendation is **knowledge sharing and collaboration**. This aligns closely with new recommendations discussed in Section 4.4, such as **joint procurement initiatives**, **regional consistency in CE practices**, and **synergies among neighbouring councils**. Organisations like LGP, ROCs, and JOs play an important role in fostering collaborative networks and sharing best practices, allowing councils to collectively advance their CE journeys.

Market research for sustainable/circular solutions is another key recommendation, which can be achieved both internally and externally. Councils can create internal hubs for repurposing used products and leverage external venues such as applying CE filter tags in LGP contract panels to identify suppliers with CE offerings, conducting comprehensive internal and external market research.

Including **key stakeholders on evaluation panels** is also critical in assessing supplier qualifications and CE alignment. Engaging CE subject matter expertise on the evaluation panel ensures CE principles are embedded within product and service specifications and facilitates thorough assessments of supplier commitments to councils’ CE objectives.

Additional recommendations under the **Action One** include **benchmarking against peers**, **leveraging case studies**, and **promoting internal success stories**. By highlighting successful examples, councils can build momentum and share insights that make CE efforts tangible and actionable across departments.

Table 6 outlines the recommendations within **Action One** to address the challenge of limited staff knowledge and experience in CE.

Table 6. Main recommendations under Action One

Action One: Recommendations
Developing comprehensive training programs
Knowledge sharing and collaboration
Market research for sustainable/circular solutions
Engagement of key stakeholders in the evaluation panel
Benchmarking against peers
Leveraging case studies
Promoting internal success stories

Collectively, these recommendations not only address the knowledge gap but also help mitigate **resistance to change** by fostering an informed and collaborative work culture that values CE initiatives.

5.2 Action Two: Get leadership on board

To address the lack of leadership support, **Action Two** aims to integrate CE principles at executive and policy levels. This involves fostering executive buy-in and incorporating CE into foundational and strategic council documents, ensuring CE objectives are woven into the council's strategic direction.

The primary recommendation for **Action Two** is **Incorporating CE goals into strategic plans**. This entails collaborating with executive leadership to integrate CE objectives into essential procurement documents, including procurement plans, policies, procedures, and manuals. Embedding CE in these core documents signals a strong commitment and aligns CE efforts across council operations.

Key performance indicators and reporting are also vital in demonstrating CE progress to executive leadership. Defining key performance indicators (KPIs) allows councils (e.g. councils' CE dashboard) to track the impact of different CE initiatives across the council. Useful KPIs might include the **percentage of recycled content** to measure the proportion of recycled materials in the council's supplied products, or the **percentage of products designed for disassembly (DfD)** to track the availability of items that can be easily disassembled for repair or recycling.

Executive training programs offer another pathway to engage leadership, building awareness of CE's broader value beyond financial outcomes. Training helps executives better understand CE's potential to enhance sustainability, resilience, and community reputation while aligning with councils' goals outlined in their community strategic plan.

Similarly, **executive mentoring and coaching** sessions are recommended to empower leadership with the skills and knowledge needed to support CE initiatives effectively. Ongoing mentorship reinforces CE principles, making it easier for executives to champion these efforts and make informed decisions.

Establishing a **CE steering committee** further strengthens leadership’s role by positioning them as stakeholders in significant projects. This committee not only oversees CE implementation but also actively participates in project decision-making, ensuring CE considerations are prioritised throughout.

Table 7 outlines the specific recommendations in **Action Two** to promote executive leadership and strategic integration of CE principles.

Table 7. Main recommendations under Action Two

Action Two: Recommendations
Incorporating CE goals into strategic plans
Key performance indicators and reporting
Executive training programs
Executive mentoring and coaching
Establishing a CE steering committee

These recommendations collectively support the critical **buy-in from key stakeholders**, including staff, community members, and councillors, by demonstrating leadership is engaged and invested in the CE journey. This alignment is especially relevant given the importance of stakeholder buy-in identified in Section 4.4.

5.3 Action Three: Focus on value, not just price

To address the challenge of managing implementation and infrastructure costs in running CE projects, **Action Three** focuses on equipping councils with strategies to minimise financial barriers and integrate broader CE objectives into procurement practices. A series of recommendations is designed to support councils in tackling this issue effectively.

The first recommendation is **performing a Life Cycle Assessment (LCA)**². LCA provides a comprehensive understanding of the environmental and economic impacts of products and services throughout their lifecycle, helping staff evaluate costs beyond the initial upfront expense. While this tool is highly beneficial for complex projects or those with available data, its limitations such as data availability and the time required should be noted. Councils are advised to apply LCA selectively, prioritising projects where data is available and significant environmental footprints are evident.

Another key recommendation is to **implement robust cost monitoring and analysis mechanisms**. Tracking actual costs incurred over the life cycle of contracts enables councils to evaluate cost trends and identify opportunities for savings. This continuous cost-tracking approach ensures more effective financial management and aligns spending with CE objectives.

Councils are also encouraged to **seek external funding sources** to alleviate financial pressures. Organisations such as the Department of Climate Change, Energy, the Environment and Water (DCCEEW), Environmental Protection Authority (EPA), and Local Government Procurement (LGP) regularly offer grants and resources that can support CE projects. For instance, [LGP's Capability Grant](#) can assist councils in progressing their CE initiatives.

Prioritising projects with a high return on investment (ROI) is another effective approach to managing costs. By focusing on projects with clear financial, environmental, or social benefits, councils can maximise impact and demonstrate the value of CE initiatives to stakeholders.

Partnerships with neighbouring councils provide an additional avenue for managing costs. Collaborative CE projects allow councils to share risks, pool resources, and benefit from economies of scale, reducing financial burdens while fostering regional cooperation. For example, councils are encouraged to engage with Regional Organisations of Councils (ROCs) and Joint Organisations (JOs) to explore existing CE initiatives they might join. This approach not only minimises duplication of efforts but also leverages ongoing projects to achieve greater efficiency and impact. Such partnerships exemplify how collaboration can drive sustainable outcomes while addressing the financial challenges of CE adoption.

Finally, it is crucial for councils to recognise that while cost management is important, CE projects may occasionally incur higher expenses. However, these costs are often justified by the broader benefits, including meeting environmental goals such as net-zero targets, creating social value through local job creation and economic growth, and recognising that failing to consider CE represents a lost opportunity to support those values. Councils should balance economic factors with these environmental and social dimensions to ensure a holistic approach to sustainability.

² <https://www.ellenmacarthurfoundation.org/life-cycle-assessment-for-the-circular-economy>

Table 8 summarises the recommendations in **Action Three**, outlining strategies to manage costs while advancing CE goals

Table 8. Main recommendations under Action Three

Action Three: Recommendations
Life cycle assessment (LCA)
Cost monitoring and analysis mechanisms
Seek external funding sources
Prioritise projects with a high return on investment (ROI)
Partnerships with neighbouring councils

5.4 Action Four: Strengthen supplier relationships

A significant challenge in councils’ CE journey is supply chain issues, particularly the limited availability of circular products and services in the market and suppliers’ general reluctance to adopt CE solutions. **Action Four** focuses on strengthening the relationship between councils and their suppliers to drive adoption of CE principles throughout supply chains.

First recommendation is to **collaborate with suppliers and include CE-related clauses and KPIs in procurement contracts** to incentivise suppliers to design and deliver products with circularity in mind. For instance, these clauses could encourage suppliers to accept returns for recycling, reusing, or refurbishing products, thereby promoting resource conservation and closing the loop in the supply chain. **Successful supplier relationship management** is crucial for fostering effective collaboration with suppliers and achieving desired outcomes. Establishing mutual agreements on clauses and KPIs ensures alignment of goals and expectations. Regular contract management review meetings, such as quarterly check-ins, can be used to track progress, discuss solutions for improvement, and provide necessary support, such as training or resources, to help suppliers enhance their CE practices. This also aligns with the findings in the [New South Wales Auditor-General’s 2023 Report](#), which highlights the lack of key governance policies in place or regularly updated in contract management.

Engaging directly with suppliers is another approach to promote CE. Councils can organise workshops, training sessions, or webinars to raise awareness about CE principles and their benefits, such as improved resource efficiency, reduced waste, and potential cost savings. By creating opportunities for education and dialogue, councils can encourage suppliers to adopt a circular business model. **Pre-tender market engagement** with suppliers also plays a pivotal role in this process, providing a platform to collaboratively develop and design CE solutions that align with council objectives. By creating opportunities for education, dialogue, and co-design, councils can encourage suppliers to adopt a circular business model, fostering innovation and strengthening partnerships in the supply chain.

Incorporating CE criteria into supplier performance evaluation frameworks can further incentivise commitment to sustainable practices. Procurement departments could revise evaluation criteria to include indicators such as the use of recycled materials, repair services, and reduction of virgin materials.

Leveraging smart technologies to improve supply chain transparency and track movement of materials and products across supply chains can provide valuable insights into their origin, composition, and lifecycle. Procurement teams can identify opportunities for improvement, collaborate with suppliers, and optimise resource use while minimising waste generation.

Finally, establishing a **supplier code of conduct** can help councils outline clear guidelines or requirements that define suppliers’ responsibilities in adopting CE practices. By setting expectations and fostering accountability, councils can ensure suppliers align with their CE goals and contribute to building a more sustainable future.

Table 9 summarises **Action Four’s** recommendations for managing your supply chain.

Table 9. Main recommendations under Action Four

Action Four: Recommendations
Collaboration with suppliers on contract clauses and KPIs for circularity
Supplier engagement and education
Supplier performance evaluation criteria
Supply chain transparency
Supplier Code of Conduct