

Committee:	Date:
Procurement Sub Committee	24 September 2019
Subject: Impact of the Responsible Procurement Strategy 2016-19	Public
Report of: The Chamberlain	For information
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<p style="text-align: center;">Summary</p> <p>Since its launch in July 2016, the Responsible Procurement (RP) Strategy has helped ensure that the City Corporation's approach to contracting reflects our values and ambitions. This includes social value (employability and apprenticeships, social mobility and inclusion, local environment and economy), environmental sustainability (climate change mitigation and resilience, low environmental impact materials, methods and equipment) and ethical sourcing (human and labour rights, combatting modern slavery). It has achieved this by providing a framework through which corporate and departmental strategies, alongside wider national and international goals, are translated into requirements and targets for supply chain partners.</p> <p>Corporate and Strategic influence: Working across the organisation in partnership with all departments, the RP function has played a pivotal role in facilitating the delivery of a wide range of sustainable development outcomes set within departmental business plans and strategies. It has helped develop policy and has been instrumental in influencing the content, trajectory and level of ambition of the City Corporation's Responsible Business (RB) Strategy and the RB elements of the Corporate Plan.</p> <p>Implementation: RP has been built into every stage of the procurement cycle; engaging and testing the market during pre-procurement, influencing specifications and scope, setting supplier selection and evaluation criteria and establishing KPIs.</p> <p>Social Value: Our supply chain partners are targeting a wide range of job ready schemes, apprenticeships and other work-related opportunities towards socially excluded groups and those residing within the 10% most deprived boroughs. Many are sharing sector-specific skills with those people and organisations that need it most.</p> <p>Environmental Sustainability: The Corporation is buying 100% renewable electricity and is transitioning to a zero-emission fleet. Our contractors are going beyond legislative requirements to reflect our commitment to sustainable design, low impact goods & services, air quality, the circular economy and reducing waste & energy use.</p> <p>Ethical Sourcing: Contractors providing high risk goods (electronic equipment, construction materials and textiles) are now mapping supply chains to identify forced and/or child labour risks in order to determine and prioritise appropriate due diligence procedures. Contractors not adhering to the Modern Slavery Act 2015 are deselected.</p> <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Members are asked to note the report. 	

Background

1. A dedicated responsible procurement resource was brought into City Procurement in 2015 to establish a framework by which the City Corporation could enhance its approach to maximising social value, minimising environmental impacts and ensuring the ethical treatment of people in its supply chains. The Responsible Procurement Manager was tasked with developing this strategy and facilitating its implementation by working in close collaboration with procurement colleagues and stakeholder departments, providing guidance, training and tailored input.
2. In the absence of a corporate responsible business/ sustainability strategy at that time, the Responsible Procurement (RP) Strategy 2016–2019 was developed by:
 - Examining all existing departmental strategies, priorities and policies and identifying any aspects related to sustainable development/ responsible business (e.g. air quality, employability, biodiversity, carbon reduction, local economic regeneration, community engagement etc.) and
 - translating these into objectives, requirements and/or targets for supply chain partners. Further objectives were also included that went beyond existing focus areas e.g. renewable energy and human & labour rights.
3. The RP Strategy took a year to develop due to the breadth of issues it aimed to tackle, and the time dedicated to research, build relationships with departmental stakeholders, determine priorities and gain the necessary buy-in to set ambitious yet deliverable outcomes. Eventually 30 objectives were established under three key pillars; social value, environmental sustainability and ethical sourcing. The achievement of each objective is described in the RP Report (Appendix 1).

Corporate and Strategic Influence and Implications

4. In order to legitimise the drive towards social value, sustainability and ethics amongst our supply chain partners, it was apparent that the City Corporation would first need to identify and adhere to its own responsible business commitments.
5. The European Public Procurement Directives and the UK Public Contracts Regulations (PCR) 2015 require that all interventions made within a procurement procedure over the OJEU threshold must be relevant to the subject matter of the contract and proportionate. These rules were designed to prevent discrimination and promote competition and borderless trade, amongst other goals. Strengthening our internal commitments fortifies their relevance in contracts.
6. When work on the RP Strategy began, there was an extensive amount of positive progress being made on departmental priorities e.g. responsible business and employability (EDO – now Innovation and Growth(IG)), noise and air quality and environmental protection (MCP), strategic transport, waste management and sustainable planning (DBE), but the focus was mostly or solely on the Square Mile and its businesses, residents and developers, rather than internal-facing objectives
7. The RP function took this broad range of areas and worked with key departments and Corporate Strategy team to ensure they were reflected as internal-facing, high level outcomes that the whole City Corporation could work towards achieving through our own business activities and supply chains. City Procurement was well placed to do so as a support function with visibility across all departments and corresponding relationships with key stakeholders. Outcomes 3, 5, 8, 11 and 12 of the Corporate Plan were particularly influenced by this cross-departmental work.

8. The above input was underpinned by the outcomes of a responsible business audit undertaken by 'B Lab UK', which benchmarked the City Corporation's performance against counterparts, highlighting areas of good practice, along with areas for improvement and key recommendations. This led to the creation of a dedicated, internal-facing RB Officer based in the Corporate Strategy and Performance team.
9. Alongside the recommendations from the external RB audit, the RB lead used a number of methods to identify priority areas for inclusion in the City Corporation's RB Strategy including a materiality assessment using surveys and interviews with key stakeholders, the City Corporation's Risk Register and the UN's Sustainable Development Goals (SDGs). The RP function played a significant role in supporting the development of the RB Strategy; influencing its content, trajectory and level of ambition by feeding in knowledge of sustainable development, introducing a network of motivated departmental stakeholders and their associated insights, and shared lessons learned during the development of the RP Strategy.
10. The RB Strategy, published in 2018 by the Corporate Strategy and Performance team, has been instrumental in helping to unite departments across the organisations to deliver a common sustainable development goal and provides a progressive framework for policy development to deliver tangible change.
11. RP implementation helps to deliver the RB Strategy alongside related City Corporation strategies including the Employability-, Digital Skills-, Social Mobility-, Air Quality- and Transport Strategy and the Biodiversity Action Plan. RP principles are being fed into the developing Print Policy and Climate Action Strategy. The RP Manager has also co-led projects to aid the delivery of progressive projects such as electric vehicle charging infrastructure for the Corporate fleet and the renewable electricity Power Purchase Agreement (PPA). The RP Manager has also co-developed and is helping to deliver the following Policies (with listed counterparts):
 - 'No Diesel' Policy – Disallowing the purchase or lease of diesel vehicles unless absolutely operationally necessary (MCP, DBE - 2015)
 - Procurement Policy to support the Air Quality Strategy (MCP – 2016 and 2019)
 - 100% Renewable Electricity Policy & Sourcing Strategy (CSD - 2018)
 - New Living Wage Policy - going beyond Living Wage Foundation requirements to include those working for two hours or more (CHB – 2018)
 - Modern Slavery Statement and Policy (Barbican, COLP, DCCS - 2018)
 - Transition to a Zero Emission Fleet – Policy on decision making hierarchy, plus accompanying loan scheme funding mechanism (DBE, CHB - 2019)
 - Renewed Fair Trade Resolution (TC - 2019)
 - Minimising Plastic & other Unnecessary Waste Policy (TC, DBE, CSD - 2019)

Implementation of RP throughout the Procurement Cycle

12. RP interventions are always tailored according to the; nature of the contract, risks implied, opportunities presented, maturity of the market, level of spend, leverage held and relative competition in order to achieve the best value for money solution, which maximises positive outcomes and minimises negative impacts.

13. The Responsible Procurement Manager has supported the implementation of RP at each stage of the procurement cycle using the following methods:

- Involvement in the procurement of all tendered contracts and in the working groups and evaluation panels for all strategic, high spend/ risk contracts.
- Team training on RP and related policies for Procurement Operations, Sourcing and Category Management and Commercial Contract Management
- Departmental training to Culture, Heritage and Libraries, City Bridge Trust, (the then) Economic Development Office, alongside lunchtime learning sessions
- External training and awareness raising for existing and future suppliers, and facilitated introductions to delivery partners to help achieve employability target
- Creation of a repository of supplier evaluation questions
- Delivery of category-specific action plans, engagement with Category Boards
- Routine consultation with subject matter experts on any plans that may impact on or help deliver their areas of work.

RP integration at each stage of the procurement cycle is summarised below.

14. Pre-Procurement

- The City Corporation's independent Social Value Panel is consulted on all over OJEU service contracts. Panellists provide input based on their knowledge of the communities or interests they represent, and outcomes are reported back.
- All soft market testing exercises undertaken by City Procurement now include an RP element. Results are used to set achievable, good practice specifications and/or to create supplier evaluation criteria to reward best practice.

15. Specification and Scope

- Measures to limit air pollution from vehicles and plant are integrated into specifications for relevant contracts to support the City's Air Quality Strategy.
- Sustainability requirements are included in the scope of refurbishment & construction works contracts to promote energy efficiency and carbon reduction, biodiversity, urban greening and climate resilience.
- A set of flexible yet robust continuous improvement requirements are specified in contracts with a high risk of labour rights infringements including supply chain mapping, sub-contractor provisions, affiliations with experts and auditing.

16. Supplier Selection

- The City Corporation has been an accredited Living Wage employer since 2014, and de-selects any bidders not willing to pay the Living Wage to staff working for 2 or more hours on our contracts.
- Successful bidders for contracts involving the use of vehicles of 3.5 tonnes and above must have attained the Fleet Operator Recognition Scheme (FORS) Bronze level, or equivalent, within three months of contract commencement. This requirement is cascaded to any relevant sub-contractors.
- The City Corporation now deselects suppliers who are 'in scope' of the Modern Slavery Act 2015 and do not adhere to its requirements, including the annual publication of a Modern Slavery (MS) Statement of due diligence procedures.

17. Supplier Evaluation

- All goods and services tenders with a value of £100k and over, and works of £400k and over, have a 10% of technical (quality) marks allocated to RP.
- Higher weightings are used in those contracts with more potential to leverage social value (e.g. DCCS Housing services) or where environmental performance is imperative (e.g. sustainable design of new developments).

18. Mobilisation

- Individuals responsible for RP delivery on supplier side are identified, alongside those in charge of monitoring on the City Corporation's side
- Any ambiguous social value offers are clarified and documented.
- Winning bidders who have made relatively ungenerous social value offers are engaged with and asked to commit to more ambitious outcomes. Suppliers are usually willing as reciprocal offers are made by City procurement to provide support with identifying delivery partners and showcasing positive outcomes.

19. Contract Management

- Three out of the ten measures in the CCM Performance Scorecard cover RP outcomes relating to social value, sustainability and ethical sourcing.
- Monitoring methods include; spot checks on environmental requirements, audits undertaken to verify sustainable sourcing, supply chain maps and action plans for products with a high risk of impacting human and labour rights, monitoring social value delivery e.g. requesting testimonials from apprentices and following up on skilled volunteering offers with suppliers/recipients.

Implementation of RP and impact of achieving strategic objectives

20. A detailed report on the mechanisms implemented to achieve each of the RP Strategy's 30 objectives are set out in the RP Report (Appendix 1). This includes action taken, key achievements, lessons learned and future focus areas. A summary assessment of the level of impact RP implementation has had on the City Corporation's attainment of these objectives is as follows:

21. **RP has enabled some progress on** the City Corporation's approach, but its impact on demand management, applying total cost of ownership, sourcing conflict-free minerals, guarding against bribery, corruption and tax evasion, and promoting green, social and responsible investment has been limited to date.

22. **RP has facilitated positive improvements in** the City Corporation's approach to safeguarding health and safety, improving road safety, enhancing nature and biodiversity, offering time and skills to mission-led organisations, embedding equalities considerations, reducing waste throughout the procurement cycle, embracing the circular economy, ensuring energy efficiency, exploiting innovation to reduce energy use, climate change resilience, complying with UN International Labour Organisation (ILO) conventions, eliminating modern slavery and human trafficking, ensuring workers are employed legally and striving for fair remuneration up the supply chain.

23. **RP has had a significant and material impact on** the City Corporation's approach to mitigating land, water, noise and especially air pollution, combatting social exclusion through the provision of work related opportunities including apprenticeships, community input including through the Social Value Panel, paying the Living Wage, eroding barriers to procuring the services of VCSEs, social enterprises and SMEs, promoting sustainable food, farming and animal welfare, buying green products and services, sourcing sustainable timber, optimising environmental management practices and promoting renewable and low carbon energy.
24. City Procurement's efficiency and savings targets have consistently been met, as RP requirements have been continuously strengthened over the last three years.
25. To date, there has been no indication that procurement costs have increased due to RP implementation, with the exception of upfront costs for electric vehicles (EVs) usually being higher than comparable diesel vehicles. Depending on the drive cycles, life cycle costing of cars and small vans can result in EVs being better value for money, but this is not yet the case for larger, newer technology electric vehicles. Some policy areas that RP has influenced have required investment, including the 'Transition to a Zero Emission Fleet' Policy and the ambitious targets set within the Waste Collection contract. These have necessitated the installation of additional electric vehicle charging infrastructure at five locations in the Square Mile.
26. Both examples of additional investment to achieve these air quality improvements are justified by the level of ambition set by the City Corporation new Transport Strategy and Air Quality Strategy, the increasing stringency of air quality measures brought in by the Mayor of London and moreover by the fact that air pollution is a identified as a corporate risk to public health as local air pollutants in the Square Mile are breaching European and World Health Organisation limits.

Benefits to the Corporation, London and the UK

27. Being receptive to community needs and behaving in a sustainable and ethical manner mitigates risk, helps to optimise resource use and improves the lives of those involved in the City Corporation's supply chains. Committing to responsible business not only benefits the organisation, but also those suppliers that we are helping to influence. It is increasingly recognised as having a positive impact on staff morale and is critical for building trust with customers, suppliers, investors, local communities and the wider public.
28. In 2015, the City Corporation collaborated with Westminster City Council to establish and co-Chair the London Responsible Procurement Network (LRPN) and it has grown in membership ever since. Thirty organisations are now represented including most London boroughs, the GLA family, the NHS and London Universities. Meetings are convened bi-monthly to share knowledge and experience of RP themes including social value, air quality and modern slavery. Options for collaboration on common issues are explored by the group, which also consults with market leaders and SMEs to ensure fair yet ambitious solutions are being uniformly developed across London. One area of current focus currently is the co-development of a London-wide Ethical Sourcing Code of Conduct.

29. Our organisation is recognised as a UK leader in the field of RP. City Procurement is regularly asked to present at national and international conferences, events and training workshops. Some highlights of these are listed below:

- **United Nations Business and Humans Rights Forum, Geneva, November 2018:** *Modern slavery and Human rights – City of London and UK mechanisms*
- **Ethical Trading Initiative International Conference, London, October 2018:** *Modern slavery and Human rights – a practical implementation approach*
- **Re-Source UK – GLA Climate Week event on Power Purchase Agreements, July 2018 – PPA decision making for public authorities**
- **Nottingham University Procurement and Development Masters Course April 2019 – Guest lecture on turning RP theory into practical implementation.**

The future of Responsible Procurement

30. RP has now been integrated as a 'service value' into the new soon to be published City Procurement Strategy 2019-2022. It is no longer deemed an area that needs its own dedicated strategy due to the success of its implementation across strategic themes and its integration at each stage of the procurement cycle.

31. This by no means implies that our work is done. Although there have been key successes, various areas require a deeper and more resource intensive focus, particularly on human rights further up the supply chain and on addressing the climate emergency by reducing Scope 3 emissions (those embedded in products).

32. An RP Policy has therefore been developed, which makes specific commitments to retain the positive progress already made and sets out areas of priority focus over the next three years. These align with the Responsible Business Strategy, the Corporate Plan, wider London and national targets and the United Nations (UN) Sustainable Development Goals (SDGs). The new RP Policy 2019 will be underpinned by an action plan, which will be reported on periodically to both the Responsible Business Implementation Group and Procurement Sub Committee.

Conclusion

33. Since its launch in July 2016, the RP Strategy has helped ensure that the City Corporation's approach to contracting reflects our responsible business values and ambitions. It has achieved this by providing a framework through which corporate and departmental strategies, alongside wider national and international goals, are translated into requirements and targets for supply chain partners.

34. Working across the organisation in partnership with all departments, the RP function has played a pivotal role in facilitating the delivery of a wide range of sustainable development outcomes set within departmental business plans and strategies. It has helped develop numerous key policies and has been instrumental in influencing the content, trajectory and level of ambition of the City Corporation's Responsible Business (RB) Strategy and the RB elements of the Corporate Plan.

35. The implementation of the RP Strategy has brought many benefits to the organisation in terms of its contribution to a positive culture shift towards more ambitious sustainable development goals and has established the Corporation as a recognised leader in the field. RP has positively impacted our reputation and legitimacy amongst stakeholders and peers.

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Appendices**1- Responsible Procurement Report - 3 years on***

*In the interest of upholding Responsible Business principles, please access the electronic version and do not print

2- New Responsible Procurement Policy (Part of new City Procurement Strategy)