

Committee: Finance Committee – <i>For decision</i> Port Health and Environmental Services Committee – <i>for information</i>	Date: 7 June 2016 19 July 2016
Subject: Responsible Procurement Strategy 2016-2019	Public
Report of: The Chamberlain	For Decision
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Summary

City Procurement aims to help the Corporation use its buying power and collaborative business relationships to drive fundamental changes in how contractors deliver goods, services and works. The team recognises the significance of the procurement decisions we make and the huge potential to act as a catalyst for positive change. The Responsible Procurement Strategy seeks to achieve this transformation and to maximise the benefits that can be gained for our local community, the environment and everyone associated with our supply chains.

The Responsible Procurement Strategy underpins the City Procurement Strategy 2015 – 2018 in that it details how corporate responsibility will be embedded as part of the overall approach to achieving operational excellence, ensuring value for money and leveraging technology and innovation in all our future contracts. In parallel, the Responsible Procurement Strategy supports 24 existing City of London policies, strategies and frameworks and ensures compliance with ten key areas of national and international legislation. Thorough consultation with key stakeholders and collaborative planning with Category Board representatives has ensured a viable, well-targeted and proportionate approach, underpinned by value for money. The strategy has been approved at Procurement Steering Group and Summit Group.

The Procurement Policy to support the Corporation’s published Air Quality Strategy is a separate document. This is due to the fact that air pollution has been classified as a Corporate “Red” risk. The procurement policy is designed, using specific actions, to support the Corporate Air Quality Strategy governed by another department and approved at Port Health and Environment Services committee in July 2015.

A copy of the full Responsible Procurement Strategy can be found in Appendix 1, a summary table of Corporate Responsible Procurement Requirements according to Spend Threshold in Appendix 2 and the Procurement Policy to support the City of London’s Air Quality Strategy can be found in Appendix 3.

Recommendations

The **Finance Committee** is asked to:

- a) Approve the City of London Responsible Procurement Strategy (Appendix 1)

b) Approve the Procurement Policy to support the Air Quality Strategy (Appendix 3).

The **Port health and Environmental Services Committee** is asked to note the Procurement Policy to support the Air Quality Strategy (Appendix 3).

Background

1. Committing to responsible procurement not only has the potential to benefit the Corporation, but also those suppliers that we are helping to influence. It provides opportunities for innovation, allowing organisations to future proof their activities ahead of compliance. 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 Corporation's supply chains.
2. Responsible Procurement is the 'golden thread' running through the City Procurement Strategy 2015 - 2018. It recognises City Procurement's responsibility to help the organisation procure value for money goods, services and works, whilst maximising social value, minimising environmental impacts and ensuring the ethical treatment of people. Anticipated outcomes include helping to mitigate global issues such as climate change, driving national markets for innovative products such as low emission vehicles and addressing local priorities such as creating work-related opportunities.
3. The Responsible Procurement Strategy sets out in greater detail:
 - How City Procurement intends to meet the corporate responsibility objectives set out in the overarching City Procurement Strategy
 - Which aspects will be targeted in terms of social value, environmental sustainability and ethical sourcing
 - Which regulations and corporate policies and strategies it supports
 - How, in broad terms, responsible procurement will be implemented and governed over the next three years
4. This Strategy is supported by a series of category-specific implementation plans, developed by working groups representing different areas of spend within each Category Board. The implementation plans consist of:
 - A list of policy areas relevant to the risks/ potential of the spend category in question
 - Specific actions related to each objective under these policy commitments
 - The type of contract that the proposed action refers to
 - Which year of the 3-year strategy this aspect of the plan will be focussed on
 - Measures of success that can be used
5. Consultation has taken place with the seven Category Boards and the Procurement Steering Group. Finally, it was consulted throughout the Corporation with all of the key stakeholders as a final exercise which concluded on 20th May 2016.

Strategy Overview

6. Taking a strategic, cross-cutting and collaborative approach, the Responsible Procurement Strategy (see Appendix 1) aims to transform the existing pockets of good practice in this area into a well-planned, managed and monitored approach, delivering goods services and works in line with the Corporation's core principles and with best practice amongst our counterparts.
7. City Procurement has prioritised four strategic themes of responsible procurement:
 - Social Value
 - Environmental Sustainability
 - Ethical Sourcing
 - Value for Money
8. The three policy areas within each of the three pillars will be pursued concurrently over the lifetime of the strategy; applying the principle of achieving value for money throughout (see page 6 of the Responsible Procurement Strategy -Appendix 1- listing pillars, policy areas and objectives).
9. The additional Procurement Policy to support the Corporation's published Air Quality Strategy is a separate document due to the fact that air pollution has been classified as a Corporate "Red" risk and because the policy is designed, using specific actions, to support a separate Strategy governed by another department and committee.

Strategic Themes

10. The responsible procurement strategic themes that will deliver our aspirations during the three years are:
11. **Social Value** – we will leverage contracts to protect and enhance the health and wellbeing of local people and the local environment; engaging to a greater extent with the local community, embedding equalities principles and promoting social inclusion through targeted skills and employment opportunities; we will support local economic regeneration by paying the London Living Wage and levelling the playing field for Small and Medium sized Enterprises (SMEs), Social Enterprises (SEs) and Voluntary and Community Sector Organisations (VCSOs).
12. **Environmental Sustainability** – we will reduce our environmental impact by sourcing sustainable food, timber and other goods and by optimising environmental management practices; we will maximise resource efficiency through demand management, waste reduction and applying total cost of ownership principles; and we will minimise greenhouse gas emissions through energy efficiency and the use of renewable and other innovative technologies.
13. **Ethical Sourcing** – we will ensure that human and labour rights are protected throughout the Corporation's supply chains through compliance with international conventions and by avoiding conflict minerals; we will ensure legal and fair employment practices by collaborating to a greater extent with our supply chain

partners; and we will encourage responsible business practices amongst our contractors through good communication of our own commitments.

14. **Value for Money** – we will achieve value for money through the implementation of the Responsible Procurement Strategy by seeking the best price for the quality we require. Important quality criteria include durable, efficient, appropriately produced goods and the delivery of safe, considerate, equitable services and works projects.

Our Approach

15. In order to ensure that risk, compliance, ambition and value for money are appropriately balanced against process complexity, market maturity and lowest possible price each procurement activity is dealt with on a case by case basis, according to the following:
 - Entity – The Strategy will be applied to spend in the Corporation’s capacity as local/ police authority. It will also be applied to other areas of spend including City’s Cash and Bridge House Estates unless there are individual circumstances that dictate that the policy should not be applied. There is a process in place to govern such instances and the associated decisions.
 - Spend – The extent of responsible procurement interventions become more significant, the higher the contract value. See Appendix 2 - Corporate Responsible Procurement Requirements according to Spend Threshold
 - Category – Risks and opportunities vary widely across categories of spend. A series of category-specific implementation plans are being developed in order to ensure viable, well-targeted approaches.
 - Contract – the following are always taken into account to maximise responsible procurement outcomes whilst mitigating supply risk and cost implications; market maturity and availability of sustainable ethical products, relative levels of competition in the market and previous tender experiences and those of peer organisations.

Conclusion

16. City Procurement has developed a Responsible Procurement Strategy for the next 3 years that translates the corporate responsibility aspirations set out in the City Procurement Strategy into a workable yet ambitious series of actions, which are supported by departments across the Corporation.

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Appendix 1 Responsible Procurement Strategy 2016-2019

Appendix 2 Corporate Responsible Procurement Requirements according to Spend

Appendix 3 Procurement Policy to support the Air Quality Strategy 2015-2018