

Committee:	Date:
Finance Committee	12 th September 2017
Subject: Impact of the Responsible Procurement Strategy after 12 months	Public
Report of: The Chamberlain	For information
Report Author(s) Chris Bell, Commercial Director, Chamberlain's Natalie Evans, Responsible Procurement Manager, City Procurement	
<p style="text-align: center;">Summary</p> <p>Since its official launch in July 2016, the Responsible Procurement (RP) Strategy has helped to ensure that the Corporation's approach to contracting reflects our values and ambitions by translating corporate and departmental strategies into requirements and targets for supply chain partners. The RP Strategy is based on the three pillars of social value, environmental sustainability and ethical sourcing.</p> <p>This strategic approach to RP complements existing successful initiatives including the use of the Social Value Panel.</p> <p>The main areas of focus during the first year's implementation of the RP Strategy were determined by the level of corporate risk and other areas of key importance including mitigating air pollution, reducing road danger, supporting local economic regeneration, improving environmental management and protecting human and labour rights throughout the supply chain.</p> <p>Key successes :</p> <p>Social Value: Commitments have been secured from supply chain partners to target 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 and the Square Mile.</p> <p>Environmental Sustainability: The Corporation has committed to no longer buying, leasing or hiring diesel vehicles. A range of environmental management approaches are also being used by contractors above legislative requirements including local sourcing, sustainable design, carbon reduction, and ambitious recycling targets.</p> <p>Ethical Sourcing: The first contract has been let with the requirement to produce a supply chain map identifying forced or child labour and conflict mineral hotspots. Contractors not adhering to the Modern Slavery Act 2015 are now deselected.</p> <p>More detailed outcomes are provided in the main report at paragraphs 15-24.</p> <p>Recommendations</p> <ul style="list-style-type: none"> • Members are asked to note the report. 	

Background

1. Responsible Procurement is the 'golden thread' running through the City Procurement Strategy. It recognises the Corporation's responsibility to procure value for money goods, services and works, whilst maximising social value, minimising environmental impacts and ensuring the ethical treatment of people. This report aims to provide an update on the impact of the RP Strategy since it was published in July 2016.

Benefits to the Corporation

2. 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. Committing to being a responsible business not only benefits the Corporation, 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.
3. Having a dedicated resource to manage the responsible procurement aspects of strategies across all departments, in order to harmonise City Procurement's approach to these themes, has enabled the team to make a valuable contribution to the development of the new Corporate Plan in terms of its level of ambition and potential areas of focus.
4. Our organisation is recognised as a leader in the field of Responsible Procurement, demonstrated by the fact that City Procurement is regularly asked to present at events, workshops and focus groups on various related topics. This was recognised as an example of good practice in our recent Responsible Business Survey and review.
5. City Procurement has been recognised for RP implementation in partnership with City Surveyors, being runner-up in the Procura+ Network European Public Procurement Awards 'Tender Procedure of the Year' category for Sustainability and Innovation, and winning the 'Outstanding Procurement Initiative' category at CIPFA's Public Finance Innovation Awards 2017. The team was shortlisted for 'Best Contribution to Responsible Procurement by CIPS in 2016.
6. Our efficiency and savings targets have consistently been met, as requirements for responsible procurement outcomes have been continuously strengthened over the last 12 months. To date, there has been no indication that costs have increased due to its implementation.

Our contribution to Responsible Procurement in London and the UK

7. The Corporation collaborated with Westminster City Council to establish and co-Chair the London Responsible Procurement Network (LRPN) in September 2015. Representatives from twenty-four London boroughs, the GLA family, the NHS and London Universities convene bi-monthly to share knowledge and experience of RP themes including social value, air quality and ethical sourcing. Options for collaboration on approaches to 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 greater London. One area of

particular focus currently is co-developing a common method of assigning proxy values to all RP outcomes.

Implementation of the strategy by key strategic theme

8. Air pollution, road danger and health & safety are all areas covered by the RP strategy, which have been classified on the Corporate Risk Register as 'Red'.

In terms of air pollution, action has been taken with the Transport Coordination Group (TCG) to prohibit the purchase, lease or hire of diesel vehicles unless there is an absolute operational necessity i.e. lack of market availability of alternatives. This action was driven by City Procurement in collaboration with the Environmental Protection team.

9. In order to help the City's roads be safer for vulnerable road users, City Procurement has worked closely with the Road Danger Reduction Team, TfL and LB of Camden to introduce mandatory requirements for contractors using vehicles of 3.5 tonnes or more.
10. To mitigate health and safety risks within our supply chain, City Procurement has introduced a new requirement for contractors to be accredited with one of a number of available 'Safety Schemes in Procurement' (SSIP). This has had support from the Corporation's Health, Safety and Wellbeing Committee and is being presented to Finance Committee on 12th September 2017.
11. Other strategic themes include tackling unemployment, supporting social enterprises, combatting modern slavery and minimising environmental impacts throughout supply chains. These aspects have been dealt with by strengthening contractual requirements as well as using clear, targeted questions within tenders to help us recognise those suppliers with genuine commitment during the supplier evaluation process. A description of how the team as sought to meet each objective can be found in Appendix 1.

Embedding Responsible Procurement across the Corporation

12. A variety of mechanisms have been used to facilitate RP implementation, including the use of stand-alone policies on air pollution and animal welfare, along with rules on e.g. purchase of low environmental impact products and services using criteria set by Defra. A particularly useful tool that has been developed this year is a bank of RP supplier evaluation questions, which can be tailored by Category Managers to specific contracts. This is continuously updated and improved upon as lessons are learned from supplier responses.
13. A number of internal departments and all Category Boards have received RP training and subject matter experts, are routinely consulted on plans that may impact on their areas of work. Soft market testing has been used to gauge the supply market's priorities and willingness to make further progress on particular areas such as the delivery of skilled volunteering, job ready schemes or climate change mitigation initiatives. RP has been fully integrated into the new Corporate Supplier Performance Scorecard, which will facilitate a more systematic approach to ensuring that RP outcomes are delivered on time and to the appropriate standard.

14. Our established Social Value Panel is consulted on all service contracts over OJEU threshold (currently £164,000), adding real value through recommendations that reflect current needs of community, business and environmental groups. Category Managers and stakeholder departments are supported with the translation of social value panel recommendations into contractual requirements.

Results in the first 12 months

15. Using spend figures for contracts that commenced between 1/8/16 and 31/7/17, the data shows that 88% of spend on supplies and services above OJEU and 88% of spend on works contracts over £400,000 has leveraged social value, ethical sourcing and/or environmental outcomes through the active implementation of RP specifications, contract terms and/ or evaluation questions.

16. Since the restrictions on diesel vehicles were introduced, two electric vans and an electric all-terrain vehicle were trialled and have been purchased/ leased by three different departments, replacing diesel models.

17. Twenty-five new apprentices and four interns are being taken on to work on our own contracts in the fields of mechanical and electrical facilities management, waste management, construction, street works and recruitment.

18. A total of 280 short vocational courses, 100 further education site visits, eight university research projects and 60 weeks work experience within these industries are also being offered.

19. Three major contractors are targeting recruitment opportunities towards socially excluded groups, specifically including young ex-offenders, NEETs, military services leavers, lone parents and other long term job seekers. Six contractors are targeting opportunities to those residing in the most deprived boroughs or the Square Mile. Initiatives include targeted advertising, proactive marketing of candidates and reserved training schemes.

20. Six contractors are targeting their spend towards supply chains in local target boroughs and/ or are providing support to social enterprises, microbusinesses or SME businesses through e.g. fair payment initiatives, meet the buyer events, online training materials, supply chain spend targets and regular reporting.

21. Skilled volunteering offers are targeted towards education, employability and community projects. They include offers to join boards of governors, accompanied reading, mentoring, careers advice, CV writing skills, with invitations for four schools to use office space for career development activities.

22. At least four City Bridge Trust grantee charities will be supported through skilled volunteering initiatives, as part of an internal initiative matching up supply chain partners who wish to deliver social value with civil society organisations that help meet our objectives. Alongside this four community organisations and a further four community projects will be supported by our suppliers during their contract term.

23. Appropriate environmental management systems are being implemented within all goods and works contracts, along with all relevant service contracts. Ambitious commitments include 95-98% diversion of waste from landfill, monitoring of embedded carbon and a feasibility study to switch to a full electric fleet of vehicles used on our contract.

24. A summary of outcomes is presented in Appendix 2, with a greater level of detail available upon request. To illustrate the breadth, level of ambition and contract-specific nature of RP implementation, three case studies covering distinct contracts are described in more detail in Appendix 3. Each was brought for consultation to the Social Value Panel, whose recommendations were used alongside City Procurement's own assessments of market maturity, relative risk, spend and leverage to develop a flexible yet rigorous approach to securing added value.

Continued Market Learning Initiative

25. In the field of social value, insurance contracts have long been identified as a very complex industry from which to secure RP outcomes. After coming across this same issue when procuring the latest insurance contracts, City Procurement engaged in a programme to take on a Business Masters Intern to undertake a four week study to identify an effective, mutually beneficial approach to leveraging social value. Going forward, technical evaluation criteria drawn up based on the results of the research will be used as part of future contracts.

Upcoming strategic themes

26. Over the next 12 months, City Procurement will ensure that the areas of focus since July 2016 are fully embedded into relevant documentation, guidance and training. Alongside this, a new set of strategic themes are now being prioritised. Policy areas of focus along with specific objectives include:

- **Protecting people and the local environment** - ensuring health & safety, mitigating land & water pollution and enhancing nature & biodiversity
- **Promoting local economic regeneration** – eroding barriers to working with Social Enterprises (SEs), Voluntary and Community Sector Organisations (VCSOs) and Small and Medium Enterprises (SMEs)
- **Maximising resource efficiency** – applying demand management, waste hierarchy and total cost of ownership principles
- **Minimising GHG emissions** – ensuring energy efficiency
- **Ensuring human and labour rights** – transparent compliance with the UN's International Labour Organisation's Fundamental Conventions
- **Ensuring legal and fair working practices** – striving for fair remuneration up the supply chain along with further actions to eliminate modern slavery, human trafficking and the use of illegal workers in our supply chains

Conclusion

27. The first 12 months of the implementation of the Responsible Procurement strategy has seen many outcomes and the establishment of greater impacts, knowledge and experience both within the Corporation but also in wider London through the LRPN.

28. These early interventions and results need to be continually enhanced by targeted and continuous improvement to all support tools, methodologies using lessons learned from their application to allow flexibility, but at the same time make clear requirements for very specific answers to encourage genuine, robust and measurable outcomes.

29. Further increasing awareness, training of key staff and support from stakeholder departments will be vital to delivering the best results. Discussing and understanding one another's' priorities, constraints and ambitions for each project is key in unlocking the aims on a case by case basis that support the overarching and ambitious objectives of the Corporation in this area.

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Related Papers

Responsible Procurement Strategy, Finance Committee 6th June 2016

Road Danger Reduction Work Programme, Finance Committee 2nd May 2017

Appendices

Appendix 1 – Strategic Implementation

Appendix 2 – Responsible Procurement outcomes - Summary

Appendix 3 – Responsible Procurement Case Studies

Appendix 1

IMPLEMENTATION OF RP BY STRATEGIC THEME

Key	
Good progress	
Some progress/ more work needed	
Severe barriers/ can't go ahead	

Policy	Specific Objective	RAG	Strategic Implementation update
A: Protecting people and the local environment	Mitigating air and noise pollution		Relevant actions from Corporation's Air Quality and Noise Quality Strategies implemented into procurement procedures and decisions. A ban on purchasing/ leasing/ hiring diesel vehicles (unless absolutely operationally necessary) is now included in Corporate Transport Policy, scrutinised by the Transport Coordination Group (TCG) and monitored by the Procurement Operations team. A menu of options now being included within tenders which relevant suppliers must choose from and deliver as part of each contract e.g. trial of an electric vehicle or green driver training with staff used on our contracts.
	Improving road safety		Collaboration with the Road Danger Reduction team & Comptrollers to support integration of Corporate Road Danger Reduction requirement of FORS Bronze or equivalent after 3 months and FORS Silver after 18 months within all relevant contracts involving Heavy Goods Vehicles (HGVs) of 3.5 tonnes and above.
B: Promoting social inclusion, equality and community benefit	Combatting social exclusion through targeted employment		Requirements and supplier evaluation criteria related to this objective are now used in the vast majority of significant tenders. Execution of innovative pilot 'speed broking' event which facilitated introduction between interested bidders and relevant partner organisations. Due to its success this will be replicated in the future.
	Offering time, skills and support to social enterprises and VCSOs		Supplier evaluation criteria used in various tenders to encourage skilled volunteering. Desk based research undertaken on what categories of business CSR drivers are. Database of volunteer opportunities created using City Bridge Trust grantees that need skilled volunteering support at their charities is shared with contractors.

C: Local economic regeneration	Paying the living wage to staff and contractors		Living Wage Accreditation and Policy in place, on website and integrated into tender documents. Awareness raising presentations delivered to encourage local authorities who have not yet become accredited to do so wherever possible. The Corporation are fully compliant with the exception of jointly commissioned residential care services due to the fact that not all boroughs are Living Wage accredited as yet.
D: Sourcing lower impact materials and methods	Buying green products and services		Government Buying Standards (GBS) - low environmental impact criteria developed by Defra - are part of the Procurement Code and are now used in the specification of all relevant tenders. They refer to e.g. energy efficiency standards, levels of mercury in computer monitors, levels of volatile organic compounds (VOCs) in paints etc.
	Sustainable timber		Sustainable timber requirements form part of the above GBS
	Optimising environmental management practices		Government Buying Standards integrated into Procurement Code and referred to in annex to spec of all relevant tenders. Environmental management approaches to waste, air pollution, energy efficiency and sustainable sourcing assessed in the majority of tenders.
H: Ensuring legal and fair working practices	Eliminating modern slavery and human trafficking		Adherence to the requirements of the Modern Slavery Act 2015 is now required as part of SQ - used as pass/ fail criteria (i.e. producing an appropriate Statement on actions taken to eliminate modern slavery from the supply chain. However, due to the fact that this is such a high risk and complex area, this is just a first step. The Corporation has co-chaired meetings at the London level on this subject. We are moving forward collectively with other London boroughs in order to send a consistent message to suppliers e.g. by using a harmonised Ethical Sourcing Code of Conduct - this is still in development. Although not required legally, City Procurement has decided to develop the Corporation's own Statement on Modern Slavery, as set out in the Modern Slavery Act.
	Ensuring supply chain employees are working legally		Discussions on this topic have begun with contract managers responsible for Construction and FM contracts - views are currently mixed on our responsibility. Consultation with wider contract managers of all high risk categories needs to be undertaken. A decision needs to be made as to whether The Corporation staff will follow up on legal worker spot checks, or whether we risk trusting our tier one providers to do so within their own and sub-contractor organisations.

Appendix 2 - Responsible Procurement contract outcomes - Summary

Contract Value (£) £1,091,410 and £935,913	Schools & Housing Design Services - Richard Cloudesley & CoL Primary Academy Islington
The design contractor committed to meeting sustainability aspirations, looking at the feasibility of green roofs, structural options to minimise carbon and clean energy solutions. Ecologists were appointed early in design process. Natural daylight and ventilation was designed in, as was the use of green materials.	
£9,338,348	Corporate Security
To support staff welfare, the contractor implements a lone worker policy, provides added value training e.g. customer care and offers flexible hours to cater for parental duties. It also commits to the employment of new recruits from local target areas.	
£940,000	Recruitment Notice Advertising
The advertising company has an intern programme and committed to onboarding a candidate from one of the City's target boroughs, along with a series of one week work experience placements. They will hold seminars on careers in the industry at the Institute of Practitioners in Advertising or their own premises. To support social inclusion, the contractor has committed to working with the Dept. for Work and Pensions and the SSAFA providing access to mapping tools targeting the long term unemployed and lone parents.	
£198,000	City Ambassadors
The contractors have strong commitments to promoting equality and diversity and provide City Ambassadors with disability awareness, cultural awareness and mental health training. They commit to supporting a clean Square Mile by reporting environmental issues such as commercial waste.	
£12,000,000	Wireless (Concession)
The contractor will assist the City to bridge the digital divide and provide benefits to local communities and will provide Wi-Fi coverage to five locations to support digital inclusion. They will also support City Bridge Trust initiatives including: Age UK Waltham Forest; Castlehaven Community; Fitzrovia Youth in Action; New Choices for Youth; and at least 2 other initiatives to be agreed	
£10,530,590	Spitalfields Waste contract

The waste contractor has committed to taking on apprentices, providing work to offenders via engagement at a prison for young offenders and targeting recruitment towards the 10% most deprived boroughs. In terms of environmental sustainability, the contract stipulated at least 95% diversion of waste from landfill and the contractors have pledged to increase in source segregation to provide better quality recyclates. They are replacing balers to increase density of bales, which in turn improves transport efficiency and are investigating the feasibility of using on-site anaerobic digestion.

£234,548

Cut flowers IPG

Environmental commitments include all plug plants being potted and grown in a UK nursery for use in CoLC contracts, all green waste is returned to the nursery for composting in a specific green waste area and reused once composted and all growing pots are recycled.

£9,000,000

Construction works - 181 Queens Street

The Supplier registered with the Corporation's Considerate Contractor scheme and made a commitment to diverting 98% waste from landfill. Local economic regeneration targets/ indicators include: 90% local labour within 40 miles, 70% local spend within 40 miles and 85% project value spend with SMEs. The following work related/educational opportunities were provided: 280 Short Courses, 30 weeks work experience (18+), eight university research projects, eight apprenticeships and 100 further education visits.

£50,000,000

Highways Street Works

Indicators of contributions to local economic regeneration include: no. local suppliers used (based in areas of deprivation, no. Social Enterprises used, no. City-based suppliers used, no. SMEs used within the City/ areas of deprivation, no. employees living in areas of deprivation and no. apprentices employed. Indicators of robust environmental management: Waste (Statutory) to landfill; waste recycled; water use; fuel use (by type); sustainable timber purchased and energy use. The contractor continues to report regularly on these parameters as part of the contract extension, in addition to enhanced requirements on monitoring embedded carbon and ethical sourcing of natural stone since the implementation of the RP strategy. Apprenticeship testimonials are now sought and specific actions are taken to diversify the demographics of the workforce employed on the contract by using targeted advertising or reserved training schemes.

£1,680,000

Domiciliary (Home) Care Services

Along with specific KPIs on social inclusion the following requirements, outlined as part of Unison's Ethical Care Charter and recommended by the Social Value Panel, were included in the specification of the contract:

- Paid travel time, travel costs and other necessary expenses
- No exclusive 'zero hours' contracts used
- Eligible workers must receive statutory sick pay and all homecare workers will be covered by an occupational sick pay scheme to ensure that staff do not feel pressurised to work when they are ill in order to protect the welfare of their vulnerable clients.
- Specification determines that commissioning is based on client need rather than no. of minutes or tasks - Workers will have the freedom to provide appropriate care and will be given time to talk to their clients
- No visit will be less than 30 minutes and will be scheduled so that homecare workers are not forced to rush their time with clients or leave their clients early to get to the next one on time.
- Clients will be allocated the same homecare worker(s) wherever possible.
- Providers will have a clear and accountable procedure for following up staff concerns about their clients' wellbeing.
- All homecare workers will be regularly trained to the necessary standard to provide a good service (at no cost to themselves and in work time) · Homecare workers will be given the opportunity to regularly meet co-workers to share best practice and limit their isolation.

Appendix 3: Case Studies on Responsible Procurement Implementation

CCTV Maintenance - Tyco

1. Tyco in delivery of the Corporation's contract use local job centres as well as rehabilitation providers to ensure the widest cohort of jobseekers is targeted. They run employability programmes with schools to promote STEM subjects in addition to providing a wide range of work-related opportunities including work experience days, 12-month placements, return to work programmes, BTEC and full apprenticeships, including those targeted at adults.
2. The contractor applies a rigorous environmental management system with continuous improvement targets, including carbon reduction. CCTV equipment is re-used before it is recycled.
3. In order to mitigate the risk of exploiting human and labour rights within the supply chain, Tyco are required to undertake a supply chain mapping exercise before the first annual contract management meeting, which identifies risk hotspots in terms of minerals likely to be sourced from conflict zones and manufacturers based in countries with higher instances of human or labour rights violations, such as the use of forced or child labour. The Corporation will then work with the contractor to establish appropriate steps to be taken in order to mitigate these risks such as the use of auditing, partnering with expert civil society organisations or working with suppliers further up the supply chain to help strengthen their approach. This requirement is a first for the Corporation and is an unusually advanced step for an entity with a local authority remit to undertake. It will undoubtedly be a learning exercise for both supplier and client, the aspiration is to continue to strengthen our use of such requirements, as knowledge within City Procurement grows and we are better placed to support our high risk suppliers.

Managed Service for Temporary Agency Resource - Hays

1. Our contractor produced a Social Value Plan specifically for our contract. Commitments include a spectrum of targeted work related opportunities such as two apprenticeships, three internships, two work experience placements, five job returns, five job starts specifically for people who face challenges, along with a range of relevant support for schools and their students and for community organisations, including staff volunteering commitments.
2. Targets on spend with social enterprises, charities, SMEs and local businesses have been set, with plans to undertake engagement activities with local suppliers and workers. The contractor commits to reporting on employee diversity and continuing to implement internal policies on ethical procurement, flexible working and staff welfare, and providing tailored professional development and training.
3. As part of their externally audited environmental management system, the contractor has set continuous improvement targets on carbon, electricity and gas reduction, with a commitment to explore sourcing an increased proportion of renewable energy.

Building Repairs and Maintenance - Skanska

1. Our new BRM contractor has established a range of programmes designed to use targeted recruitment to promote social inclusion or balanced representation. Notable examples include targeting young people from challenging backgrounds through the Developing Exceptional Leaders Programme; ex-offenders through the Skanska Young Offender Training and Employment Programme 13 week training course; military services leavers through the Career Transition Partnership; and women as part of the WISE campaign to get one million more women in the STEM workforce.
2. Skanska commits to having 2 apprentices employed at any one time during the contract and their supply chain organisation, for example Senseco Systems, is committed to providing three apprenticeships per year. Candidates will have training plans developed and will be allocated a mentor. The contractor also offers graduate opportunities and eight-week summer placements and would welcome engagement with City of London Academies to encourage young people to seek careers in Facilities Management. Skanska regularly attend career fairs to promote apprenticeship opportunities, present at higher education institutions on new technologies and trends in the industry. They also make active efforts to source locally and engage SMEs at tailored events, with regular reporting on results throughout contract life.
3. Environmental sustainability requirements within our specification are extremely detailed covering application of the waste hierarchy, green procurement including sustainable timber, materials with high recycled content and attainment of government buying standards, along with requirements to support the Corporation with energy and water saving targets.
4. This contract example is a good demonstration of partnership working as useful suggestions to improve our environmental outcomes were made by the new provider during mobilisation phase, based on their industry expertise. Over and above contractual requirements they have committed to making recommendations on which refrigerants to replace first in air conditioning units, according to highest global warming potential (GWP) and have agreed to consider phasing in a full electric fleet of vehicles if the Corporation is able to accommodate parking at our City car parks with electric charging stations.