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| Committee(s): Operational Property and Projects Sub Committee Policy and Resources Committee Finance Committee | Dated: 26 May 2022 9 June 2022 14 June 2022 |
| Subject: Responsible Procurement Policy Update | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | 1, 2, 3, 5, 8, 10, 11, 12 |
| Does this proposal require extra revenue and/or capital spending? | N |
| If so, how much? | £ |
| What is the source of Funding? | |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: Chief Operating Officer | For Decision |
| Report author: Lisa Moore, Responsible Procurement Manager | |

Summary

This paper seeks approval to refocus the commitments in the Responsible Procurement (RP) Policy using the efficiency principles under the Target Operating Model (TOM), better align with the TOM's strategic priorities of Climate Action and Equality, Diversity and Inclusion, and the broader ESG objectives of the Corporation.

The current RP policy has 18 commitments which have been a barrier to self-service for both procurement officers and wider stakeholders. This paper proposes to make RP more accessible and provide greater clarity for implementation while maintaining the integrity of the current RP Policy.

Additionally, Members are asked to consider the recommendation to separate the RP weighting from the quality score so that it forms part of the overall score. This would bring us in line with central government, our peers and future proof against potential changes to procurement legislation.

Recommendation(s)

Members are asked to:

- Approve changes to the Responsible Procurement Policy, in particular refocusing from 18 commitments to the proposed six.
- Approve amendment to the responsible procurement weighting establishing it as an overall score of 10% from 1 September 2022.
- Approve an uplift in the responsible procurement weighting to 15% of the overall score effective 1 April 2023.

Main Report

Background

1. In 2020, 18 separate responsible procurement (RP) commitments were agreed upon as part of the City Procurement Strategy forming the RP Policy 2020 – 2024.

2. The City Corporation has long supported RP as part of the tendering process and assigned 10% of the quality score to RP in 2011. This was ahead of the Public Services (Social Value) Act 2012.
3. In September 2020, Central government issued Procurement Policy Note (PPN) 06/20 'Taking account of social value in the award of central government contracts' which established a 10% weighting of the overall score for social value (equivalent to the City Corporation's RP) for all central government departments, executive agencies and non-departmental bodies.

Current Position

4. A review of the RP Policy was brought forward as part of the Commercial Service redesign. This process considered the broader principles of the TOM and ensured a greater focus on the strategic priorities of Climate Action and Equality, Diversity and Inclusion (EDI).
5. A consultation process was undertaken with the Commercial Service officers and Chairs of the procurement category boards on recommendations to update the RP commitments and the RP weighting in the tender process.
6. Responsible procurement is currently 10% of the overall quality score. A typical procurement might assign 60% quality and 40% to price. This would mean responsible procurement would make up 6% of the overall score.

Options

7. As this paper is recommending two different changes to RP policy the options have been separated to provide clarity.

Options for the RP Policy Changes

8. **Keep the RP Policy as is and provide supplementary guidance.**

This option is not recommended. The current policy does not support the TOM principles, specifically, to 'increase the pace of decision making'. It is not easy to use and does not help suppliers understand the City Corporation priorities. As a result, there would still be a requirement to publish additional information for officers and suppliers.

9. **Approve the updated Responsible Procurement Policy commitments**

This is the recommended option. The changes support the TOM principles and the new ways of working. The new commitments have been ordered based on the priorities of the City Corporation but are consistent with the social value themes across central government and other local authorities.

Options for changes to the RP Weighting

10. **Keep RP weighting at 10% of the quality score**

This is not the recommended option. There is reputational risk as we have fallen behind most of our peers in London. Additionally, with the upcoming changes to procurement legislation, we may have to make this change with shorter implementation time. The current benefits include officer familiarity and a greater emphasis on quality and price.

11. Bring weighting in line with central government – 10% overall

This is not the recommended option, but it is an acceptable option and would be consistent with our peers. It would also future proof us against further policy changes from central government to include local authorities in PPN 06/20. The aim is to elevate RP and allow it to be a differentiating factor.

12. Responsible Procurement Leader - Implement 10% weighting overall for 2022/23 to increase 15% in April 2023

This is the recommended option. This option would bring us in line with current good practice but indicate to our market that we are moving toward being a RP leader. This recommendation proposes a stepped approach to implementation based on the feedback from consultation with category board chairs.

13. Responsible Procurement Leader - 15% overall weighting

This is not currently the recommended option based on the consultation with category board chairs.

Proposals

14. The RP policy has been updated with the revised set of commitments and guidance as to how they should be considered throughout the commercial process (appendix 1). The new policy is outward facing providing suppliers with more information on what is expected when working with the City Corporation. A full list of changes is provided in Appendix 2.

15. The recommended RP weighting is based on feedback from category board chairs. While the feedback was supportive of an increase to 15%, there was some concern for SMEs. This risk can be mitigated through practices we already employ to facilitate SMEs in our supply chain and the delay will allow us to produce better guidance and RP questions. The RP Policy allows for some flexibility. As 10% is already standard practice, we do not expect this to be used regularly.

16. The September 2022 start date for the 10% would allow the Commercial Service time to communicate changes, update guidance and provide notice for pre-market engagement discussions on upcoming procurements.

Key Data

17. At least 20 London boroughs and central government separate RP weighting so that it is part of the overall assessment. The large majority are using 10% as an overall assessment, but there are some with as little as 5% or as high as 20%.

Corporate & Strategic Implications

18. Strategic implications – Commitments in this policy are aligned to and seek to advance objectives of the Corporate Plan, Responsible Business Strategy, Climate Action Strategy, Social Mobility Strategy and other corporate priorities.

19. Financial implications – Social value could be delivered at no additional cost, but higher weighing for RP may have cost implications in some instances. Cost will be considered on a case-by-case basis as part of individual contracts or where

systematic change is recommended e.g. procurement standards under the climate action strategy. As part of the delayed implementation, we will monitor impact of the changes and seek to benchmark any identified costs.

20. Resource implications – No significant resource implications. Contract managers and purchasing officers should already be assessing RP.
21. Legal implications – Changes proposed are in line with what we expect from upcoming procurement legislation as outlined in the procurement green paper.
22. Risk implications – While low, there is a risk that the SME market may be negatively impacted. Mitigations including the proposed step change are recommended. We will provide guidance on how to bid and what good looks like, as well as retaining principles that the RP is relevant and proportionate to contract length, value and market. Additionally, one of the RP commitments is to facilitate access for SMEs so the RP policy will actively work towards reducing barriers which includes RP criteria.
23. Equalities implications – The commitments in the RP policy should positively impact or seek to reduce negative impacts on people with protected characteristics through our commitment to Supplier Diversity, Equality Diversity and Inclusion in our supply chain, and meaningful work related opportunities to promote social mobility. Impact assessments for equalities implications will be done at project level.
24. Climate implications – The policy commitments are in line with the Climate Action Strategy and will be supported by the Purchased Goods and Services project plan.
25. Security implications – None

Conclusion

26. The recommendations in this paper seek to align our RP offering to that of our peers and continue the City Corporation's commitment to being a responsible business. They consider the principles outlined in the TOM and the strategic priorities of the business.

Appendices

- Appendix 1 – Updated Responsible Procurement Policy (2022)
- Appendix 2 – Changes to the Responsible Procurement Policy 2020
- Appendix 3 - Responsible Procurement Policy 2020

Background Papers

24 March 2020 - Procurement Sub Committee Paper – Responsible Procurement Policy 2020 – 2024

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