

City Manager's Office Report to
Business Advisory Committee
2019 December 06

ISC: UNRESTRICTED
BAC2019-1524

Business Advisory Committee Opinion on Social Procurement

EXECUTIVE SUMMARY

Through a Motion Arising, The Business Advisory Committee (BAC) is to provide an opinion on whether the Social Procurement Pilot project should continue, be postponed, or stop. BAC further tasked the BAC working group, which includes industry external stakeholders, to provide feedback regarding the Social Procurement Pilot project and to assist in the development of BAC's opinion back to Council.

This report provides a summary of the feedback received from external stakeholders, which assisted BAC in developing the opinion to continue the Social Procurement Pilot project.

ADMINISTRATION RECOMMENDATION:

Business Advisory Committee recommends that Council:

1. Continue with the Social Procurement Pilot project as considered in Report PFC2019-0384,
2. Reduce the number of pilot projects to two; and
3. Change the name of the Policy from Social Procurement Policy to Benefit Driven Procurement Policy.

PREVIOUS COUNCIL DIRECTION / POLICY

In the Combined Meeting of Council 2019 June 17, Council adopted, through a Motion Arising, "that Council request the Business Advisory Committee to consider Report PFC2019-0384 and provide an opinion to Council no later than Q4 2019". Through Council's direction, BAC in the 2019 July 02 meeting, directed the BAC working group to review Report PFC2019-0384 and develop an opinion and report back to BAC no later than 2019 October 31.

BACKGROUND

At the Combined Meeting of Council 2019 June 17, Council directed the Business Advisory Committee (BAC) to review Report PFC2019-0384, which further detailed the Social Procurement Pilot project concepts, application by other municipalities, along with an implementation work plan strategy for The City to consider. For further analysis of the report, Council requested BAC provide an opinion with respect to the Social Procurement Pilot project relative to The City and the continuance of the initiative. In addition to this request, BAC was also asked by the Social Procurement Advisory Task Force to provide feedback on direction of the project and the potential name of the policy.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The working group is mostly encouraged by this initiative and sees this as an opportunity for The City to further invest in the growth of the local economy. Social Procurement is more than a financial transaction, it is a tool for building community capital and using The City's resources to achieve greater community and social benefit. It will further advance The City's objectives to reduce barriers, so citizens who are part of a marginalized community, such as Indigenous peoples, women and immigrants, have better access to do business with The City. The increased access to City contracts will help it build a more inclusive economy, benefiting local businesses and at the same time creating local social, community and environmental value.

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The working group identified a few matters they would like the Social Procurement Pilot project team to take into consideration:

- The City must be cost effective in its Social Procurement decisions and be fiscally responsible in its spending.
- There could be a delay in certain competitions and eventually City projects to accommodate the Social Procurement principles.
- Below Trade Agreement Threshold opportunities, specifically small to medium-sized businesses, should be considered first in order to create opportunities for local businesses, which would allow them to gain experience and the expertise needed to grow their business.

The working group raised concerns regarding what the driving factor would be for Social Procurement. They are questioning whether social procurement directly benefits local business and growth to local economy or creating social value for the community. If The City can incorporate a procurement process that will do both and be fiscally responsible, it will achieve greater benefit to Calgary.

As stated in Attachment 1 of Report PFC2019-0384, moving forward and implementing the pilot project framework will further test and provide measuring outcomes, and will assist in providing the basis for permanent Social Procurement processes and procedures. It will further identify any risks or benefits of Social Procurement to The City in a measurable way.

With the current state of resources at The City of Calgary, proceeding with three pilot projects may not be reasonable. To ensure that each project could be completed in a thoughtful manner, BAC recommends reducing this to two pilot projects.

Proceeding with the Social Procurement Pilot project will keep Calgary at par with other jurisdictions in Alberta and Canada who have benefited from their Social Procurement policies.

Stakeholder Engagement, Research and Communication

The City's Supply Management business unit presented information to the working group regarding Social Procurement on 2019 July 24, including the scope of the pilot project and the business case for Social Procurement at The City. They also provided further information based on the feedback from the presentation, which was distributed to the working group to assist them in formulating an opinion on Social Procurement initiatives, specifically the continuance of the Social Procurement Pilot Project.

The working group included representatives from:

- Calgary Chamber of Commerce
- Calgary Economic Development
- Canadian Federation of Independent Business
- BILD Calgary
- NAIOP – Commercial and Industrial Sector

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The consensus among the working group is to move forward with the Social Procurement Pilot project as long as certain principles, as stated previously, are taken into consideration throughout the process.

Strategic Alignment

Social Procurement aligns with many Council priorities including a commitment to creating and sustaining a vibrant, healthy, safe and caring community. Confirmed through policies, plans and strategies including the Triple Bottom Line Policy Framework, The City's Resiliency Strategy, imagineCALGARY plan, and the 2020 Sustainability Direction. In addition, this report connects to business-friendly initiatives with increased participation of small and medium sized businesses and non-profit businesses.

Social, Environmental, Economic (External)

Social

As stated in Report PFC2019-0384 Social Procurement policies and standards will integrate social and community value into the procurement process. The report further states that a Social Procurement policy will:

- Increase the access of City contracts to a more diverse and socially inclusive business sector ranging from small to medium size, who may not have had the opportunity to be involved in the City's procurement processes.
- Increase economic opportunity and integration for marginalized groups in Calgary.
- Increased opportunities with respect to apprenticeship, paid work-experience, and entry-level opportunities in the trades and other career-traced employment, especially for marginalized community members.

Environment

No known environmental impacts

Economic (External)

The economic impact will be more locally apparent as it is expected that Social Procurement will provide more opportunities and reduce barriers to City contracts to the local small and medium sized businesses, and to social enterprises. This will allow them to succeed and have a larger impact to the economy. Social Procurement will provide opportunities to grow local commerce and do it in a manner that will provide a social, economic, and community value for Calgary.

Financial Capacity

Current and Future Operating Budget:

There are no current operating budget impacts.

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Current and Future Capital Budget:

There are no current and future capital budget impacts.

Risk Assessment

The main risk identified is the potential increase to cost from The City's perspective. Monitoring of 'true' costs of goods, services, and construction during the pilot projects and assessing against the social value creation of new policy will allow true cost/benefit analysis.

There are risks and costs with not moving ahead with a Social Procurement policy, as The City will be entering into several high value infrastructure projects in the coming years. It is important to proceed with the pilot projects now to ensure that the procurement process for the upcoming City projects brings local, social, community and environmental benefits to Calgary. Social procurement further connects The City to local businesses and communities and shows that The City is investing into the local economy.

REASON(S) FOR RECOMMENDATION(S):

BAC sees the value of Social Procurement, especially if it means investing in small and medium size local businesses, which in turn will promote growth to the local economy.

With the current state of resources at The City, proceeding with three pilot projects may not be reasonable. To ensure that each project could be completed in a thoughtful manner, BAC recommends reducing this to two pilot projects. BAC also recommends that the Social Procurement Policy Task Force change the project name, that would best fit the policy for The City to adopt.