

Benefit Driven Procurement Pilot: Final Report

RECOMMENDATION(S):

That the Priorities and Finance Committee recommends that Council:

1. Approve the closing of the Benefit Driven Procurement pilot;
2. Approve the *Benefit Driven Procurement Strategy* to guide ongoing implementation and sustainment;
3. Approve the *Public Value through Procurement* policy;
4. Direct Administration to integrate the *Supplier Code of Conduct* referenced from the *CFO-008 Sustainable Environmental and Ethical Procurement Policy (SEEPP)* into the *Supplier Code of Conduct Administration* policy; and
5. Rescind *CFO-008 Sustainable Environmental and Ethical Procurement Policy (SEEPP)*.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 SEPTEMBER 7:

That Council:

1. Approve the closing of the Benefit Driven Procurement pilot;
2. Approve the *Benefit Driven Procurement Strategy* to guide ongoing implementation and sustainment;
3. Approve the *Public Value through Procurement* policy;
4. Direct Administration to integrate the *Supplier Code of Conduct* referenced from the *CFO-008 Sustainable Environmental and Ethical Procurement Policy (SEEPP)* into the *Supplier Code of Conduct Administration* policy;
5. Rescind *CFO-008 Sustainable Environmental and Ethical Procurement Policy (SEEPP)*; and
6. Direct Administration to report back to this Committee's successor no later than Q4 2022 with an update on implementation with specific consideration of how deeply and broadly Benefit Driven Procurement has been integrated into the City's general procurement practice.

HIGHLIGHTS

- On 2018 December 17, Council approved a budget of \$505,000 from the Budget Savings Account (BSA) for a three-year social procurement pilot. Administration has the final pilot data and analysis to close the pilot and recommends transitioning Benefit Driven Procurement (BDP) into ongoing City procurement operations.
- In 2020, \$1.17 billion of public funds were spent through Administration's *Procurement Policy*. This spend has a significant impact on the community of Calgary. The proposed *Public Value through Procurement* policy aims to get more out of every service to support community outcomes through procurement, including BDP.
- What does this mean to Calgarians?
 - Shows Calgarians that The City recognizes all procurement at The City creates public value and that procurement at The City is done with the highest ethical standards and integrity in accordance with public procurement law.

Benefit Driven Procurement Pilot: Final Report

- Shows Calgarians that The City strategically plans to optimize public value through procurement to create intentional, added investment in community outcomes beyond the actual purchase of a good or service for a particular procurement spend.
- By engaging in these programs there are added indirect values received by The City and their citizens like: employment, education, entrepreneurship, support to new businesses, et cetera.
- Why does this matter?
 - The new *Public Value through Procurement* policy (Policy) and *Benefit Driven Procurement Strategy* (Strategy) support Calgary's economic recovery by building community resilience, reducing barriers to conduct business with The City, and providing opportunities to local suppliers.
 - Strategically planning procurement may create more value for procurement spend.
 - Adapting procurement process may remove barriers where possible and be economically feasible for local small to medium-sized businesses.
 - Processes strive to provide opportunities for diverse, underrepresented (e.g., Indigenous, youth, women, newcomer) groups, innovators, and other groups to do business with The City.
- Since 2019 March, Supply Management engaged an internal and external BDP Advisory Task Force to learn and develop a BDP Strategy. This Advisory Task Force included City employees, industry associations, social enterprises and other stakeholders with an interest and impact on social procurement and the benefits it creates for the community.
- From 2021 March to June, Supply Management continued the BDP pilot and started working towards operationalization and sustainment of BDP through the creation and deployment of the BDP Strategy.
- The BDP Strategy is aligned to public procurement law including the requirements of all relevant trade agreements. The general, public procurement principles of fairness, accountability, competition, transparency, openness, and ethics also inform the BDP Strategy to deliver intentional, added value to the community for a particular procurement spend.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Approve the closing of the Benefit Driven Procurement Pilot

Recommendation 1 is about closing the pilot conducted from 2018 December to 2021 June and move into implementation of the program. The full pilot results can be found in Attachment 2.

Since the implementation of BDP in May 2021 on new over threshold procurements covered under the Procurement Policy, most of the Request for Proposals (RFPs) published included a BDP questionnaire (63 per cent). This number is expected to increase as the change is adopted to meet the 2022 target of 75 per cent as outlined with other KPIs and targets in the BDP Strategy Attachment 3.

To date, 52 RFPs have been piloted with the total value of awarded contracts with a BDP component being \$31 million (before taxes). During the pilot, the top three impacted categories for awarded contracts were: small and medium-sized enterprises (74 per cent of awards),

Benefit Driven Procurement Pilot: Final Report

companies with apprenticeship programs (62 per cent of awards), and companies with policies for inclusive employment (56 per cent of awards).

Approve the implementation of the Benefit Driven Procurement Strategy

Recommendation 2 is to approve the BDP Strategy for long-term sustainment of the program; the full Strategy document is included as Attachment 3.

The BDP Strategy aims to address the following economic and social issues:

- Increasing access to City contracts to contribute to a more diverse, stronger and resilient small and medium-sized and social enterprises business sector;
- Procuring locally (where appropriate and allowable to do so);
- Providing greater economic opportunities for historically underrepresented groups;
- Increased apprenticeship, work-experience, and entry-level opportunities; and
- Preparing The City to be able to respond to Infrastructure Canada's requirements for Community Benefit Employment Agreements for infrastructure investments.

The process is designed to create extra benefits for our community but does not increase the cost of procurement or decrease the quality of what we receive.

BDP is to be applied in a manner consistent to the earlier Council approved recommendations in Attachment 1 of this report.

As part of the BDP Strategy, Administration recommends continuing the BDP Advisory Task Force to receive critical stakeholder feedback and for continuous improvement.

As part of the change management plan, training materials have been published to educate potential suppliers, social enterprises, and internal City staff. Additionally, communications through non-traditional procurement channels to increase access to procurement opportunities have been piloted and is planned for full implementation in 2022.

Additional improvements to the BDP Strategy will be made based on regular reports from Supply Management, the BDP Advisory Task Force, and other feedback from stakeholders on the progress toward the desired social procurement outcomes, incorporating and testing new evaluation criteria into procurement documents aimed to achieve those goals.

Approve the *Public Value through Procurement* policy and integration of the *SEPP Supplier Code of Conduct*

Administration has completed research and engagement with internal and external stakeholders to determine that the proposed *Public Value through Procurement* policy will achieve more for community outcomes by encompassing and adding to the elements currently within SEPP.

This overarching Council policy will encourage Administration to consider all Council and Corporate procurement direction and strategies to create public value through their procurement spend. The Policy will be implemented through intentional investment, collaboration, strategic planning, and procurement planning.

Benefit Driven Procurement Pilot: Final Report

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Benefit Driven Procurement Strategy

For sustainment of the Strategy, it is recommended to keep the BDP Advisory Task Force in place, updating opportunities and information on BDP on existing Calgary.ca and myCity webpages, social media, and engaging industry and social enterprises.

Council Policy: *Public Value through Procurement*

Administration consulted the Corporate Management Team, strategy stewards across The Corporation, key procurement partners, BDP Advisory Task Force, and the Innovation Through Procurement Network Governance Council.

IMPLICATIONS

Social

Increased access to contracts at The City will contribute to a more diverse, stronger and resilient small and medium-sized and social enterprises business sector. Increased apprenticeship, work-experience, and entry-level opportunities in the trades and other career-track employment, especially for traditionally underrepresented community members, i.e., Indigenous, women and new-comer groups can have a positive social impact.

Environmental

The BDP Strategy has the potential to reduce environmental supply chain risks through diversification and local sourcing.

Economic

The *Public Value through Procurement* policy and its strategies mean using procurement dollars to achieve overarching institutional, governmental, or individual goals such as helping local economic recovery, building capacity, building resilience and reducing barriers, so that more people have access to do business with The City.

Service and Financial Implications

In December 2018, Administration received \$505,000 from the Budget Savings Account (BSA) to fund a three-year pilot and implementation (see Attachment 2 for details on how the funds were used). To transition BDP into procurement operations, a budget request for one FTE will be submitted as part of the 2022 One Calgary budget adjustments. This resource will provide the necessary efforts to implement the Strategy including, evaluating questionnaires, providing

Benefit Driven Procurement Pilot: Final Report

support and education for The City's employees, citizens, and businesses, and provide operational procurement support.

RISK

Administration Procurement Strategy: *Benefit Driven Procurement Strategy*

The risks identified with BDP are detailed in the Strategy prepared for Council (Attachment 3). The highest risk factors of implementation of the project are: internal resistance to change, external resistance to change, and additional costs to The City. Risk mitigation includes the incorporation of change management processes in the *Public Value through Procurement* policy and BDP process design, creating internal champions, and providing internal and external training to stakeholders. Finally, monitoring and reporting true costs will ensure that value is being returned from the Strategy.

Council Policy: *Public Value through Procurement*

The *Public Value through Procurement* policy in order to succeed will need an awareness of all relevant Council and Corporate direction and strategies to fully optimize public value through a procurement spend. Business units and strategy stewards need to be able to locate all Council and Corporate strategies in a central repository in order to be effective.

ATTACHMENTS

1. Background and Previous Council Direction
2. Benefit Driven Procurement Pilot Summary
3. Benefit Driven Procurement Strategy
4. Benefit Driven Procurement Leadership Questionnaire
5. Public Value through Procurement Policy

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Chris Arthurs	Deputy City Manager's Office	Approve