

Social Procurement Update

RECOMMENDATION:

That the Executive Committee recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Since *Notice of Motion C2018-0396* asked for a scoping report on how social procurement could be applied at The City of Calgary, daily procurement has significantly transformed and evolved to where we are today: where The City's purchases are a strategic tool towards social equity, economic resilience, fostering social and economic reconciliation with Indigenous communities, and nurturing a green economy.
- The City has fully embedded social procurement principles and a framework into all large-scale competitive purchases (over \$75,000 for goods and services and over \$200,000 for construction), where there is the most potential to add community impact through intentional investment.
- Small to medium-sized businesses, non-profits, and underrepresented groups such as women, Indigenous, LGBTQ2S+, diverse Racialized groups and newcomers now have a competitive advantage and increased access to The City's contracts.
- Businesses who provide apprenticeships, work experiences, and a living wage along with greater economic opportunities for underrepresented groups through outreach and mentorship programs will also be evaluated for these merits in addition to price and quality.
- The City's Social Procurement program (formally known as Benefit Driven Procurement) has also recently expanded to include positive outcomes towards climate, ethics and occupational health and safety to strengthen The City's commitment to a fully sustainable procurement practice.
- **What does this mean to Calgarians?** On average, The City purchases approximately \$725 million worth of goods and services per year through competitive procurements. This presents a real opportunity to leverage this significant purchasing power to buy with intent and create additional community value.
- **Why does this matter?** Purchasing The City's goods and services with intent can add positive impacts in social equity, economic growth, and climate resiliency.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The journey from *Notice of Motion C2018-1379* to today

Following an initial scoping report on social procurement best practices, a three-year pilot was approved by Council to develop and implement a social procurement strategy and framework at The City. The first area of focus was determining how to remove barriers and increase access to small and medium-sized businesses and underrepresented groups while also maintaining The City's accountability to applicable trade agreements and public procurement principles such as fairness and competition.

Social Procurement Update

A Benefit Driven Procurement Advisory Task Force was formed to draw on the experiences and expertise from industry associations, social enterprises, members of Council, and City employees to create a critical feedback loop. Close collaboration with law and procuring City services was also required to test new approaches, learn fast, and adapt.

This extensive collaboration and engagement resulted in a Social Procurement Strategy and Framework tailored to The City's procurement responsibilities. A legally defensible tool was also developed in the form of a *Social Procurement Questionnaire*, which is now embedded in all The City's competitive procurements for large purchases (over \$75,000 for goods and services and over \$200,000 for construction) at a minimum five per cent evaluation weighting.

The *Social Procurement Questionnaire's* first release provides potential suppliers the opportunity to increase their scoring in competitive bids if they meet criteria such as:

- Being a small or medium-sized business.
- Being certified as a diverse or socially inclusive business (e.g., businesses owned by women, LGBTQ2S+, diverse Racialized groups, newcomers, and Indigenous).
- Implementing programs or inclusive employment practices to ensure greater economic opportunity to underrepresented groups.
- Providing apprenticeship programs, work experience or internship opportunities for underrepresented groups.
- Paying a living wage.

Simply put, if a business meets the requirements for price and quality, its ability to receive additional points through the *Social Procurement Questionnaire* could provide the advantage needed to win a competitive bid.

Small purchases (under \$75,000 for goods and services, under \$200,000 for construction) also now require a minimum of three quotes with at least one of those quotes from a local supplier to increase the potential for local purchases.

Embedding this shift into The City's everyday procurement practices required an extensive change management and training program for both potential suppliers and City services who procure goods and services. An overarching *Public Value through Procurement* Council policy was also developed and approved by Council in Fall 2021. This policy formally declared The City's procurements as a strategic tool to create additional and intentional public value to improve community outcomes for Calgarians.

2022 Success measures (Attachment 2) include:

- 96 per cent of industry participating by responding to the *Social Procurement Questionnaire*.
- 67 per cent of The City's contracts awarded to small or medium-sized businesses.
- 88 per cent of The City's awarded suppliers paying living wages.

Social Procurement has expanded

On 2023 May 31, the *Social Procurement Questionnaire* was digitized and expanded to include environmental, climate, ethics, and occupational health and safety elements from the *Sustainable Environmental and Ethical Procurement Policy* (SEEP) questionnaire. Integrating SEEP not only simplifies the process for suppliers to respond to, but it also widens the reach for SEEP's considerations to influence more of The City's procurements.

Social Procurement Update

The updated *Social Procurement Questionnaire* also has an additional question targeted to support outcomes for Indigenous communities.

New focus area: Indigenous Procurement

The City can now build upon the foundational Social Procurement Strategy and Framework to focus on targeted outcomes for specific underrepresented groups. An Indigenous Consultant is now onboard and working with Supply Management and the Indigenous Relations Office to develop an Indigenous Procurement Strategy to advance social and economic reconciliation with Indigenous communities.

Actions planned for the rest of 2023 include building and executing an engagement plan with Indigenous business communities to understand their interest in and capacity for City contracts, hosting dialogues to hear first-hand the challenges and barriers they have faced to date and generating solutions to address what was heard and increase opportunities for Indigenous businesses to work with The City.

Procurement at The City has evolved, modernized, and become more affordable

Supply Management is responding to industry feedback and leveraging technology to make procurement at The City easier for suppliers to participate.

A significant step to make opportunities accessible for all is to ensure all fees associated with bidding on The City's procurement opportunities have been waived, making it free for all businesses to compete for City contracts. The cost to submit bids to The City's procurement opportunities was identified as a barrier for small businesses and this has now been solved through The City's adoption of a contract management system in 2022 July.

This recently adopted contract management system has also made it possible to digitize the *Social Procurement Questionnaire* (released 2023 May 31). A digitized questionnaire makes it easier for suppliers to participate with their responses and automates the scoring process so City resources can shift their focus to increase targeted outcomes.

Next Steps

Once the Indigenous Procurement strategy is in place, the next focus area will be increasing access to women-owned businesses.

A digitized *Social Procurement Questionnaire* also allows for customized questions to maximize impact based on what is being purchased. For example, engineering and architectural services are assumed to be paying a living wage, so evaluation criteria can instead be adapted towards assigning more points to women-owned engineering and architectural firms.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | | | |
|-------------------------------------|-----------------------------------------|-------------------------------------|-----------------------------------------------------|
| <input type="checkbox"/> | Public engagement was undertaken | <input checked="" type="checkbox"/> | Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> | Public/interested parties were informed | <input type="checkbox"/> | Public communication or engagement was not required |

Social Procurement Update

The recent expansion of the *Social Procurement Questionnaire* was made possible through collaboration with Climate and Environment, Equity in Service Delivery team and the Indigenous Relations Office. The Indigenous Relations Office is also a critical partner in the Indigenous Procurement Strategy.

The Benefit Driven Procurement Advisory Task Force was formed in 2019 and included a broad group of representatives from industry associations, post-secondary, members of Council, advocacy groups, and City Administration. This task force was instrumental in providing timely feedback, advice, and a community voice as the strategy and framework were developed. This task force has been renamed the Public Value through Procurement Advisory Committee and will meet three times a year to share challenges and opportunities from the diverse voices that may be impacted by The City's procurement practices.

IMPLICATIONS

Social

Leveraging The City's purchasing power and embedding Social Procurement into The City's daily purchases can contribute to positive outcomes for traditionally underrepresented groups and advancing economic reconciliation with Indigenous communities.

Environmental

The expanded *Social Procurement Questionnaire* now includes environmental and climate considerations from the *Sustainable Environmental and Ethical Procurement Policy (SEPP)* questionnaire, allocating evaluation weighting for suppliers who have a climate or environmental policy, and climate, greenhouse, or other similar reduction targets.

Economic

Social procurement reduces barriers for business success and increases opportunities for all to do business with The City.

Service and Financial Implications

No anticipated financial impact.

RISK

Previously identified risks of internal and external resistance to the changes introduced by the Social Procurement Framework and Strategy have since been mitigated through extensive engagement, training and ongoing communication of the social and economic benefits with procuring City Services, industry, and the Public Value through Procurement Advisory Committee. Success measures found in Attachment 2 showcase how social procurement has been adopted and embraced by suppliers and procuring City services.

ATTACHMENTS

1. Previous Council Direction, Background
2. 2020-2022 Success Measures
3. Social Procurement Update Presentation

**Corporate Planning and Financial Services Report to
Executive Committee
2023 June 01**

**ISC: UNRESTRICTED
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Page 5 of 5**

Social Procurement Update

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Acting GM Les Tochor	Corporate Planning and Financial Services	Approve
Chris Arthurs	People, Innovation and Collaboration Services	Inform