

Deputy City Manager's Office Report to
Regular Meeting of Council
2018 December 17

ISC: UNRESTRICTED
C2018-1379

Social Procurement: State of Practice and Recommendations

EXECUTIVE SUMMARY

In response to Notice of Motion C2018-0396, Supply Management engaged Buy Social Canada who were selected by a competitive process to develop a scoping report on social procurement that includes best or evolving practices in other jurisdictions, risk analysis, industry perspective, review of relevant policies and practices at The City of Calgary, review of current legislation and Trade agreements and potential benefits to the community.

This report recommends that The City adopt a social procurement policy and strategy that will advance the utilization of existing procurement to create local social, economic and environmental value. The City will achieve this by initiating a three-year social procurement implementation strategy and expanding the Sustainable, Ethical, Environment Procurement Policy (SEEPP).

ADMINISTRATION RECOMMENDATION:

That Council:

1. Receive this report and attachments for information;
2. Approve the recommendations from page 17 of Attachment 1;
3. Approve the budget of \$505,000 as outlined on page 24 of Attachment 1, to be funded from the Budget Savings Account (BSA); and
4. Direct Administration to return to Council with an update no later than Q4 2019.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 April 05, Council unanimously adopted a Notice of Motion C2018-0396 (Attachment 2) directing Administration to develop a report on social procurement and report back to Council no later than Q4 2018.

BACKGROUND

Every purchase has an economic, environmental and social impact, whether intended or not. Social procurement is about capturing those impacts and seeking to make intentional positive contributions to both the local economy and the overall vibrancy of the community.

Historically, procurement has been about choosing the supplier offering the lowest price while still meeting technical requirements of providing high quality products or services at minimal risk. Social procurement is about “encouraging a shift towards procurement based on achieving multiple outcomes in addition to maximizing financial value”. It means using your procurement dollars to achieve overarching institutional, governmental, or individual goals such as environmental and social sustainability.

The adoption of a social procurement policy by The City of Calgary is timely in that it aligns with the adoption of other major Canadian municipalities such as Toronto, Montreal, and Vancouver who have recently adopted or are currently adopting similar and complementary social purchasing and Community Benefit Agreement policies and practices. Additionally, the adoption of a social procurement policy positions The City of Calgary to be prepared for the forthcoming social procurement and employment outcomes of the Community Employment Benefit requirements that may accompany federal and provincial infrastructure investments over the next ten years.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

Historically, procurement was about choosing the supplier offering the lowest price while still meeting technical requirements of providing high quality products or services at minimal risk. Social procurement is about “encouraging a shift towards procurement based on achieving multiple outcomes in addition to maximizing financial value.” Social procurement is not the disregard for price, quality and environment but rather it is the transition to and/or the addition of a social value alongside quality, price, and environment in existing procurement policy, practice, and measurements.

Administration’s Recommendation

Based on the report (Attachment 1), Administration recommends that The City adopt a social procurement policy and strategy to create a Sustainable, Social, Ethical and Environmental Procurement Policy, that will advance the utilization of existing procurement to create local social, economic and environmental value.

The City will achieve this by initiating a three-year social procurement implementation strategy that will leverage a social, economic and environmental value from existing procurement.

- The City will establish a SSEPP Advisory Task Force with representation of The City, local business, industry and community to support SSEPP design, implementation, and evaluation.
- The City will explore implementation options and initiate pilot projects to test and design the inclusion of more small, medium sized businesses and social enterprises into direct procurement opportunities and into the supply chain of major contractors.
- The City will use an outcomes-based measurement and reporting process aligned with existing City of Calgary policies, programs and strategies.

Stakeholder Engagement, Research and Communication

Buy Social Canada, in preparing its report interviewed leadership from different Calgary construction companies through the Calgary Construction Association and the Alberta Roadbuilders & Heavy Construction Association. Also, they engaged different relevant business units and community stakeholder’s representatives including the International Avenue Business Revitalization Zone and Canadian Poverty Institute.

Additionally, as part of its research, Buy Social Canada conducted an online supplier survey from September – October 2018 to gather feedback from social enterprises, non-profits and purpose-driven businesses that are the most likely suppliers with whom to achieve social benefits through goods and services purchase contracts. In total, 78 responses were collected from a diverse group of stakeholders representing women, minority, Indigenous, disabled, LGBTQ+, cooperative and non-profit ownership models. Across 26 industries, 62% of respondents are working to advance outcomes for both people and planet through their business.

Strategic Alignment

Social procurement aligns with many Council priorities including a commitment to creating and sustaining a vibrant, healthy, safe and caring community that works for all today and tomorrow.

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This commitment has been expressed through policies, plans and strategies including the Triple Bottom Line Policy Framework, Calgary's Resilience Strategy (under development), the imagine CALGARY plan, and the 2020 Sustainability Direction. The City recognized the potential to achieve many of these objectives by leveraging its existing purchasing power with the adoption in 2008 of the Sustainable Environmental and Ethical Procurement Policy (SSEPP). The addition of social procurement would be the next step in leveraging procurement dollars to achieve greater community benefit.

A full review of The City of Calgary's social policy alignment can be found in Attachment 1.

Social, Environmental, Economic (External)

To ensure that SSEPP can achieve the designated and intended local social, environmental and economic value objectives, the enhanced policy design should begin with establishing a multisector SSEPP Advisory Task Force with defined timelines and benchmarks. Ongoing external stakeholder engagement throughout the design, pilot, development and evaluation process are necessary. A defined process for advice and feedback will support a less controversial transition and more effective process.

Financial Capacity

Current and Future Operating Budget:

The total projected budget for this three-year pilot and implementation plan provided is \$505,000.00.

Administration recommends that this project be funded from the BSA. This will cover the pilot project but does not include additional operating costs required to continue social procurement past the initial three-years.

Current and Future Capital Budget:

No impacts have been identified for this recommendation.

Risk Assessment

The top three risks identified with this project are internal and external resistance to change and additional costs to The City. Starting with a pilot project, engaging a cross-section of administration for the task force and implementing over a three-year period will help with change management. Additionally, monitoring of 'true' costs of goods, services, and construction and assessing against the social value creation of the new policy will allow true cost/benefit analysis. The full risk assessment including the level of risk and the treatment can be found in Attachment 1.

REASON(S) FOR RECOMMENDATION(S):

Social procurement is about capturing those impacts and seeking to make intentional positive contributions to both the local economy and the overall vibrancy of the community. Every purchase has an economic, environmental and social impact, whether intended or not. This work is very timely given The City's ongoing work towards building a more resilient, accessible

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and inclusive community. Additionally, the federal government have recently added a new requirement for Community Benefit Agreements for projects greater than \$25 million, where federal funding is used. This is an opportunity for us to be prepared for future federal government requirements while continuing to get the best value for tax payers dollars.

ATTACHMENT(S)

1. Attachment 1 – Report on Social Procurement State of Practice and Recommendations for NOM C2018-0396
2. Attachment 2 – Notice of Motion C2018-0396
3. Attachment 3 - Buy Social Canada Presentation - C2018-1379 - Social Procurement