

SUSTAINABLE DEVELOPMENT COMMITTEE REPORT

Meeting Date: September 6, 2016

Subject: Adoption of a Social Procurement Framework**APPROVALS:**

Ted Zlotnik, Director
Terry Hartley, Acting Executive Director
Marcel Ulliach, Chief Administrative Officer

Administrative Recommendations:

That the following be recommended to Council for approval:

THAT the Social Procurement framework be accepted as information; and

THAT Administration be directed to proceed with the pilot plan.

Summary:

On January 26, 2016, Council approved a request from Administration to develop a Social Procurement framework in consultation with stakeholders. Since that time Administration has created both a Social Procurement framework and a pilot plan for implementation.

Background:

The Regional Municipality of Wood Buffalo will become the first municipality in Alberta to adopt a Social Procurement framework. The next step is a pilot phase, during which the Municipality will engage with key stakeholders in a process to develop the region's collective capacity to leverage existing spend to achieve targeted and desirable community benefits.

In 2015, Supply Chain managed approximately 215 market requests which included 35 Tenders; 82 Request for Quotes (RFQs) and 98 Requests for Proposals (RFPs). Administration recommends utilizing the market solicitation mechanism as a tool to drive community value. Social Procurement represents a significant opportunity for the Municipality to take a more strategic approach to procurement. The pilot will explore and develop new ways to leverage the region's supply chain to achieve important and targeted community outcomes.

Tenders typically represent higher value infrastructure contracts, whereas RFQs are used primarily to acquire services such as landscaping and snow clearing. The RFP process is most often used to source professional consulting services, such as engineering requirements. In challenging economic times, governments, businesses, non-profit organizations and citizens must all work together to do more with less and to support those who are the most disadvantaged in our region. Eventually we want to develop a pre-approved list of preferred socially proactive suppliers.

The pilot project has been designed to achieve community benefits by building Social Procurement capacity across key sectors in the region.

Strategic Plan Linkages:

Pillar 1 – Building Responsible Government

Pillar 3 – Vibrant Economy

Attachments:

1. Regional Municipality of Wood Buffalo Social Procurement Framework
2. Cumberland Community Benefit Agreement Example
3. Pilot Plan

Regional Municipality of Wood Buffalo Social Procurement Framework ¹

Social Procurement in context

Social Procurement is a growing practice that seeks to better leverage tax dollars to achieve positive social outcomes in keeping with community values and strategic objectives. By adopting this Social Procurement framework, the Municipality is taking an innovative, pro-active approach to community socio-economic development.

Public sector spending represents a significant portion of the region's economy. "Council stands behind our business community and looks forward to seeing the new Social Procurement framework take shape," said Mayor Blake. "We are proud to be the first municipality in Alberta to take this step – it will really help as we work together to strengthen our region from the ground up."

With billions in federal stimulus spending about to flow, interest in Social Procurement is on the rise. In November 2015, Prime Minister Trudeau specifically included Social Procurement in his mandate letter to Federal Procurement Minister Foote, communicating the need to modernize public sector procurement and signaling a new era for the advancement for social innovation and Social Procurement across Canada.

In February 2014, Social Procurement became law across Europe. Community Benefit Agreements are being added to public sector contracts in Ontario and Quebec. Nova Scotia is about to follow. This is good preparation for CETA, which unlike NAFTA, will impact municipal procurement. Toronto is poised to create Canada's first Social Procurement policy. The Municipality is demonstrating municipal leadership by becoming the first municipality in Alberta to adopt a social procurement framework. The primary objective driving the first phase of the Regional Municipality of Wood Buffalo Social Procurement Framework is economic development.

Regional Municipality of Wood Buffalo - Social Procurement Framework

The Municipality is committed to a procurement process for goods and services that takes into account ethical procurement and social procurement considerations. Vendors and potential vendors to the Municipality must respect fundamental human rights, treat their workers fairly and with respect.

Definitions of Ethical and Social Procurement are as follows:

- **Ethical Procurement**

Ethical purchasing is a values-based approach to procurement that seeks to do no harm to society broadly. Ethical procurement is conducted in an open and transparent way that demonstrates honesty, integrity and professionalism; optimizing resources to deliver maximum

¹ The Regional Municipality of Wood Buffalo Social Procurement Framework designed by Sandra Hamilton

total value to the taxpayer.

- **Social Procurement**

Social Procurement better leverages tax dollars to achieve positive social outcomes in keeping with community values and strategic objectives. Social purchasing promotes economic development and supply chain diversity by working to improve access for micro, small-medium enterprises (SME's) and equity seeking social enterprises. In supporting the development of a social enterprise ecosystem, social procurement also promotes inclusion and employment for disadvantaged groups, which contributes to the improved health and well-being of the entire community.

Also known as Social Impact Purchasing or Socio-Economic Purchasing, Social Procurement signals to the marketplace that this community seeks to conduct business with companies that enhance rather than diminish social value.

The Regional Municipality of Wood Buffalo is committed to:

- (a) Work cooperatively with vendors and other key stakeholders to advance Corporate Social Responsibility in the business community by promoting ethical procurement considerations and by encouraging vendors and subcontractors to work towards the highest possible ethical standards whenever practical;
- (b) Develop a vendor community that exhibits leadership in Corporate Social Responsibility through its efforts to continuously improve best practices that protect the welfare of workers and the environment, and encourage sound social stewardship, all the while maintaining a competitive position in the market;
- (c) Embed ethical, social and economic performance criteria into Municipal supply chain procedures, processes and activities;
- (d) Ensure compliance with these principles by reserving the right to request external independent certifications, supplier disclosures, certifications and other reports as and when needed.

What is Social Public Procurement?

- Social Procurement better leverages tax dollars to achieve desirable and targeted social impact
- The Social Procurement framework aligns procurement with community values and strategic priorities
- Social Procurement seeks to balance the needs of People, Planet & Profit
- Social Procurement “*Moves beyond the do no harm of the environmental movement, to proactively do some good*” says Sandra Hamilton, the Municipality’s consultant and a leading

social procurement advisor in Canada.

Over the last thirty years the environmental movement has done an excellent job of educating and increasing awareness surrounding the importance of developing more sustainable practices. This has led to considerable changes in behaviours and societal norms. Environmental considerations in government procurement have now become normalized.

Social Procurement seeks to further leverage tax dollars to achieve broad societal goals, increasing equality and supply chain diversity, while contributing to improved community wellbeing through the blending and weighting of social, environmental and economic considerations in the procurement process.

Social Procurement leverages the public procurement process for goods and services, to advance positive economic, workforce, and social development outcomes². Social Procurement blends financial and social considerations in public sector purchasing to deliver against two bottom lines:

1. A commitment to purchasing the best value services and products, in keeping with the MEAT criteria, the Most Economically Advantageous Tender; and,
2. A commitment to better leverage limited public resources to achieve positive strategic community outcomes³

Why is the Regional Municipality of Wood Buffalo creating a Social Procurement framework?

- By expanding the traditional understanding of ‘best value’ in procurement, to include the generation of positive societal benefits, alongside high quality and competitive bids, the Municipality is working to maximize community benefits and deliver improved socio-economic returns for regional taxpayers, within the existing spend
- To ensure a sustainable and ethical approach to procurement, that is values aligned with the community vision and our Municipal Development Plan, constructed to support the strategic priorities
- To stimulate economic development
- To improve access to local government contracts for micro/small-medium enterprises and for equity seeking social enterprise groups
- To promote diversity and innovation through supply chain partnerships
- To stimulate growth and build the capacity of social enterprises in the community

² Adapted from Social Procurement: Guide for Victorian Local Government. State Government of Victoria, AU. October, 2010

³ Adapted from the [Toronto Social Procurement Framework](#), April 2013

Key Pillars Guiding Social Procurement

1. The procurement process will continue to meet all the principles of fairness, integrity, accountability and transparency, while also screening for transformational opportunities to enhance social outcomes of broad benefit to the community.
2. In advance of carrying out any procurement, the framework imposes a responsibility on the public sector buyer to consider how the purchase might be better leveraged to enhance the economic, social or environmental wellbeing of the region; to improve access for micro, small businesses and/or social enterprises; or to promote innovation⁴.
3. When planning high social impact procurement opportunities, e.g. Service contracts for work such as janitorial, landscaping etc., this responsibility includes a requirement to engage in reasonable outreach to engage equity-seeking businesses/social enterprises.
4. The procurement framework continues to evaluate:-
1) Quality 2) Price 3) Environmental, while adding the fourth component 4) Social

Procurement will continue to be compliant with the obligations set out in both domestic and International Trade Agreements (NWPTA, AIT, etc.).

The Key Social, Employment and Economic Goals are:-

- Contribute to a stronger economy within the Community/Region
- Increase diversity among vendors
- Improve supply chain access for micro, small business and social enterprises
- Increase the number of good quality jobs, with benefits, for full-time residents
- Create jobs for disadvantaged groups and increase social inclusion, by improving contract access for equity-seeking groups, such as social enterprises
- Improve and enhance public spaces
- Increase training and apprenticeship opportunities
- Help move people out of poverty, providing increased independence and sustainable employment for those in need while reducing the social impact on the community.
- Improve opportunities for meaningful independence and community inclusion for citizens living with disabilities

⁴ Adapted from the Scottish Social Procurement Act

- Stimulate an entrepreneurial culture of social innovation

Promotion of Contract Opportunities

In addition to bid opportunities, at or above an applicable trade threshold being publicly posted on Alberta Purchasing Connection (APC). The Municipality also encourages potential vendors to self-register on the Municipal website through the vendor database to provide exposure for departmental quoting that is under threshold values.

Community Benefit Agreement (CBAs)

CBA's are contractual obligations undertaken by bidders. Based upon learnings from the pilot phase, the Municipality will select an approach to determine when CBAs may be added to tenders and/or RFPs. The Municipal CBA evaluation criteria will be transparent and clearly defined in each procurement process.

Infrastructure planning and investment procurement will work to include Community Benefit Agreements in contracts. CBAs may be used on infrastructure projects to require contractors to develop recruitment programs for regional residents and/or to provide disadvantaged populations with construction work experience. In addition to hiring, apprenticeships and training targets, CBAs may also be used to improve public space within the community, or any other specific benefit as identified by the community.

Apprenticeship Plan

Bidders entering into a procurement process for the construction or maintenance of large multi-year infrastructure projects (valued at over \$5 million) with a municipal asset shall provide a plan, which in the event of a successful bid, would outline the intended use of apprentices in the project construction and/or ongoing maintenance.

The plan will include the method by which the bidder intends to create employment and/or apprenticeship opportunities arising from the construction or maintenance contracts for regional residents and disadvantaged residents specifically from the community in which the infrastructure asset is located⁵.

⁵ Adapted language from Ontario Provincial Government, Bill 6, Infrastructure for Jobs and Prosperity Act, 2015

Cumberland Community Benefit Agreement Example

Community benefit clause section for tenders:

The Council of the Village of Cumberland has adopted a Social Procurement framework, committing the Village to ethical purchasing with social values and environmental sustainability at its core. To this end, the Village's procurement is guided by the attached Social Procurement framework.

To be considered eligible to bid on this tender, bidders must comply with all employment and human rights laws relating to the tendered project and must meet all legal requirements related to workplace or workers' safety laws and regulations.

In addition, the proponent must satisfy at least two of the following goals or initiatives which are included in the Village's Social Procurement framework. Please outline how you currently satisfy, or how you plan to satisfy (if you are the successful proponent), at least two of the following goals or initiatives before the completion of the project:

1. Assist the Village in achieving any of the following key social, employment and economic goals as outlined in the attached Social Procurement framework:
 - contribute to a stronger local economy;
 - increase the number of local jobs that support young working families;
 - increase social inclusion, by improving contract access for equity-seeking groups, such as social enterprises;
 - enhance community arts and culture infrastructure;
 - improve and enhance public spaces;
 - help move people out of poverty, providing increased independence and sustainable employment for those in need;
 - improve opportunities for meaningful independence and community inclusion for citizens living with disabilities; and
 - stimulate an entrepreneurial culture of social innovation.
2. Provide financial or in-kind support to not for-profit community organizations that provide community benefits to Cumberland residents and businesses. (See the attached framework or find more information about the community benefits that the organizations can provide at cumberland.ca/community-grant-program).
3. Employ residents of the Village of Cumberland on this project.
4. Employ apprentices/trainees (preferably Cumberland residents) on this project.
5. Assist the Village (financially or in-kind) with any of the initiatives contained within the attached draft 2016 Council Strategic Priorities, if you are awarded the contract for this project.

Pilot Plan

During the pilot phase the Municipality will work closely with an external Social Procurement advisor and key stakeholders to conduct two procurement engagements in each of the three market segments identified below. Each has been identified as presenting the best opportunity to increase social and/or economic value in the community.

1. Community Benefit Agreements (CBAs) in infrastructure contracts
2. Building social capacity in the private sector marketplace
3. Improved supply chain access for micro, small-medium enterprises (SMEs), and social enterprises

Pilot #1 Community Benefit Agreements in Infrastructure

Tender Pilot:

Test the potential of CBAs in tenders for large infrastructure projects.

Objectives:

- To model how the Municipality supply chain partners can contribute to the community
- To engage key stakeholders in this new process
- To learn from the pilot and adjust pre-procurement engagement and post-procurement evaluation accordingly
- To build regional market capacity to respond to CBA requirements in public sector contract

The Village of Cumberland BC, Canada's first Buy Social certified municipality, provides one example whereby the social criteria is first assessed in a pre-qualifying phase. Only pre-qualified bidders are then invited to proceed into the conventional tender process, which evaluates against tightly defined technical specifications, capability, and price point.

Outcome Metrics:

- Stretch supply chain partners to deliver more community benefits
- Job creation for disadvantaged regional residents
- Apprenticeship opportunities for regional residents
- Enhanced community infrastructure i.e. parks, child care centres, etc.

Key Partners:

- Fort McMurray Construction Association (FMCA)
- Chamber of Commerce
- Northeastern Alberta Aboriginal Business Association (NAABA)

Pilot #2 Building Social Capacity in the Private Sector Marketplace

RFP Pilot:

Utilize contract structure & test social value weightings in evaluation criteria

Objectives:

- To proactively seek social value opportunities in procurement process
- To encourage private sector businesses bidding on the Municipality's contracts to build social capacity and be proactive partners in delivering social value in the community
- To stimulate more socially responsible hiring practices among suppliers the Municipality will work to pre-approve firms based, in part, on their inclusive hiring practices

Outcome Metrics:

- A more socially responsible and diverse supply chain
- More socially responsible businesses in the supply chain
- More enterprising non-profits in the supply chain

Key Partners:

- Vendor community

Pilot #3: Improved Supply Chain Access for Micro, SMEs and Social Enterprises

Three Quote Pilot:

"Three quotes" procurement pilot for below threshold purchasing for goods and services between \$10K and \$75K and for construction projects under \$200K. Estimated spend is about \$3M/year, based on 2015 spend information.

Objectives:

- To simplify the procurement process and to include micro businesses to compete for appropriate contract opportunities offered by the Municipality
- To promote vendors to self-register through the online vendor registry
- To improve supply chain access for micro, SMEs and social enterprises

Outcome Metrics:

- To diversify the supply chain, with more micro businesses and social enterprises providing goods and services to the region. More regional cross-sector, cross culture dialogue and cooperation

Key Partners:

- All internal departments requiring goods and services
- Economic Development department
- Rural relations and community engagement