

# Finance and Resources Committee

10.00am, Thursday, 3 November 2016

## Procurement Benefits – Reporting Framework

<b>Item number</b>	7.10
<b>Report number</b>	
<b>Executive/routine</b>	
<b>Wards</b>	

### Executive Summary

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At the City of Edinburgh Council's meeting on 2 June 2016 the Council (in agreeing the revisions to the Councils Contract Standing Orders and Guidance on the Appointment of Consultants) agreed to the following addendum:

“To agree to develop a reporting framework for Finance and Resources Committee by October 2016 which sought to provide an overview of the aggregate impact of procurement decisions in relation to co-production, SMEs and social enterprises, sustainability, fair working conditions and other such matters which were consistent with Council policy ambitions.”.

This report outlines progress in developing the reporting framework for procurement benefits with further detail at Appendix 1.

### Links

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**Coalition Pledges**  
**Council Priorities**  
**Single Outcome Agreement**

## Procurement Benefits - Reporting Framework

### 1. Recommendations

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- 1.1 Note the progress outlined in the report.
- 1.2 Note that an update report will be provided to the Finance and Resources Committee in six months and then annually thereafter.

### 2. Background

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- 2.1 At the City of Edinburgh Council's meeting on 2 June 2016, the Council (in agreeing the revisions to the Councils Contract Standing Orders and Guidance on the Appointment of Consultants) agreed to the following addendum:

“To agree to develop a reporting framework for Finance and Resources Committee by October 2016 which sought to provide an overview of the aggregate impact of procurement decisions in relation to co-production, SMEs and social enterprises, sustainability, fair working conditions and other such matters which were consistent with Council policy ambitions.”.
- 2.2 Procurement benefits range from the more immediately realisable financial savings to the less tangible but equally important benefits from our contracts. These include benefits to the local economy through contracts with local businesses and the third sector and community benefits such as added social value, environmental benefits or the delivery of employability opportunities.
- 2.3 Changes to the procurement legislation are now driving many of these benefits, with the Scottish Government's procurement model putting procurement at the heart of economic recovery and sustainable growth. Specific procurement duties have been introduced to consider how each procurement exercise can:
  - 1) improve the economic, social and environmental wellbeing i.e. reduce inequality in the City of Edinburgh;
  - 2) facilitate the involvement of SMEs (less than 250 employees), third sector bodies and supported business in the Council's procurement processes;
  - 3) promote innovation; and

- 4) include community benefits such as targeted recruitment and training, small business and social enterprise development and community engagement.

### 3. Main report

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- 3.1 It is proposed to create a framework to report on the following procurement benefits:
  - Co-production;
  - Community benefits and social added value;
  - SMEs and social enterprises;
  - Sustainability;
  - Fair Working Conditions; and
  - Edible Edinburgh.
- 3.2 Appendix 1 outlines progress and aspirations with regard to these benefits.
- 3.3 The Procurement Reform (Scotland) Act 2014 now requires annual reporting on how the Council will meet its procurement strategy and how it will achieve procurement related policies including community benefits and supported businesses used. The first annual report is due in 2018, to cover the previous 15 months i.e. from January 2017. The Climate Change (Scotland) Act 2009 requires reporting on how procurement policies have influenced carbon reduction commitments and best practice. A report will be considered by Corporate Policy and Strategy Committee on 8 November 2016.
- 3.4 Initial engagement suggests that some of these benefits have significant overlap with existing service strategies and reporting networks. Commercial and Procurement Services (CPS) will work closely with Strategy and Insight, Sustainability and City Strategy and Economy and other relevant services to identify synergies and minimise duplication. The reporting framework will evolve as we understand what can meaningfully be measured and reported upon, the development and changes to policies and the development of tools particularly in terms of sustainability.
- 3.5 Good procurement acts as a vehicle for wider benefits. However, realisation of those benefits is dependent on strong contract management practices. Ongoing contract management is the responsibility of the commissioning services. CPS is currently developing proposals to support services in their contract management activities.
- 3.6 It is proposed that the reporting framework will initially report on procurement benefits delivered at contract award stage. As an electronic benefits tracking system is developed to allow electronic monitoring across the Council the benefits delivered during contract delivery stage will also be reported upon.

#### **4. Measures of success**

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- 4.1 The measure of success of benefits tracking of procurements will improve consideration of sustainability, co-production, community benefits, fair working practices and the Edible Edinburgh Sustainable Food City Plan increase compliance, aid the delivery of better value contracts and improve access for SMEs, supported businesses and social enterprises.

#### **5. Financial impact**

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- 5.1 Maximising the delivery of procurement benefits will bring improved financial return to the Council and the City's wider economy. Certain benefits have a monetary value attached and these will be monitored on a project by project basis by the service areas.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 The proposed tracking of benefits will improve controls, increase compliance and improve the governance of contracts.

#### **7. Equalities impact**

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- 7.1 There are no equalities impact as a result of this report.

#### **8. Sustainability impact**

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- 8.1 The requirement to consider how procurement can improve social, environmental and economic wellbeing and make entry for SMEs, third sector and supported businesses easier and promote innovation will have significant benefits for the City of Edinburgh and enable the Council to meet its Climate Change (Scotland) Act 2009 Public Bodies Duties.

#### **9. Consultation and engagement**

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- 9.1 Consultation will be undertaken with the relevant partner organisations on improving and maximising procurement benefits throughout the year and prior to each annual report.

#### **10. Background reading/external references**

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- 10.1 [http://www.edinburgh.gov.uk/download/meetings/id/50876/item\\_85\\_-\\_operational\\_governance\\_-](http://www.edinburgh.gov.uk/download/meetings/id/50876/item_85_-_operational_governance_-)

[\\_review of contract standing orders and guidance on the appointment of consultants](#)

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## **11. Links**

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**Coalition Pledges**

**Council Priorities**

**Single Outcome**

**Agreement**

**Appendices**

## Appendix 1

Benefit	Summary	Measurement	Next Steps
<b>Co-production</b>	<p>The Council has set out a clear commitment to co-production as a means of service redesign and development. Co-production is defined in the Council's Contract Standing Orders (CSOs) as "the real and meaningful involvement of the citizens of Edinburgh including future recipients of the services and key stakeholders in how and what goods, works or services are delivered with regard to the National Standards for Community Engagement." The CSOs require that the relevant officer or commissioner has planned co-production with key stakeholders prior to commencing any procurement. Health, social care and community services in particular are required to be procured in accordance with the principles of Co-production. The CSOs also now include a requirement that throughout the life of a contract the contract Manager should deliver continuous improvement in accordance with co-production principles.</p>	<p>Due to the qualitative nature of co-production, it is difficult to produce a meaningful baseline to measure impact for each project. Service outcomes may be measured but it will rarely be possible to relate these to co-production alone.</p> <p>What can be measured and is proposed to be reported on is</p> <ul style="list-style-type: none"> <li>• When co-production has taken place</li> <li>• Feedback from those taking part</li> <li>• Changes and improvements made as a direct result of co-production.</li> </ul>	<p>A Second Thinkspace event on co-production and the 'light touch' procurement regime for health and social care services was held on 28 June 2016 . Following on from that event the development of the light touch regime &amp; co-production best practice guidance and a toolkit of examples is currently being worked up with third sector colleagues. This guidance will form part of the Council's Procurement Handbook.</p>
<b>Community benefits and social added value</b>	<p>The Council aims to maximise the social, economic and environmental benefits from its procurement (known as 'Community Benefits') by incorporating Community Benefit Clauses within its contracts. These benefits are delivered by providers in addition to meeting the core requirements of the contract. An example of this is the agreement to take on apprentices, deliver training or deliver improvements to an Edinburgh locality such as the offer to deliver a mountain bike route around Liberton High School for no additional contractual costs.</p> <p>The menu of community benefits that providers have been asked to deliver from include:</p> <p>Employability benefits</p>	<p>Outline and track delivery on an individual basis through contract management.</p> <p>Number of contracts with supported businesses.</p>	<p>The menu of community benefits is constantly being reviewed and refined. It is proposed that additional benefits promised under each procurement is recorded and the benefits delivered reported upon by services areas supported by CPS and Strategy and Insight.</p>

	<p>Environmental benefits</p> <p>Benefits for Looked after Children</p> <p>A detailed Employability menu has been developed which has been used to great success delivering many modern apprenticeships and school leaver programme.</p> <p>The Council may also reserve the right to participate in a tendering procedure to providers operating supported businesses, supported employment programmes or supported factories where more than 30% of the workers are disabled or disadvantaged persons in accordance with the 2015 Regulations. The Council has the following contracts with supported businesses :-</p> <p>Furniture for Care Homes</p> <p>Re-upholstery of seating for Care Homes</p> <p>Laundry services</p>		
<p><b>SMEs and social enterprises</b></p>	<p>The Council currently has over 800 contracted SME providers. To support and encourage SMEs as Council providers. Where legally permissible the Council shall seek to ensure that for purchases or contracts of an estimated value of £50,000 or less that at least one Small or Medium Enterprise (SME) from the City of Edinburgh or an SME who is a significant employer within the City of Edinburgh is invited to tender in any process. For future repeat procurements for similar goods, services or works the Council shall seek to ensure that at least one new SME from the City of Edinburgh or a new significant employer within the City of Edinburgh is invited to tender in any process.</p> <p>In accordance with the sustainable procurement duty the Council must consider how its procurement processes can facilitate the involvement of SMEs. This is taken into account in the procurement planning stage for each procurement.</p>	<p>Number of SMEs involved in the procurement process.</p> <p>Number of SMEs contracted with.</p>	<p>Further interrogation of data on SME providers required to produce stable baseline information and ensure data is robust.</p>

<p><b>Sustainability</b></p>	<p>The Council has had a comprehensive Sustainable Procurement Policy in place since 2012. The sustainable procurement policy and objectives are addressed within every procurement plan and Policy informs the Council's terms and conditions of contract.</p> <p>In this way the policies build awareness and are discussed with stakeholders. There is also a mandatory sustainability risk assessment of procurement projects as part of the individual procurement plan is a practical tool to ensure compliance with climate change duties.</p> <p>CPS also uses sustainability as selection and award criteria and seek to constantly evaluate processes that minimise the impact of the procurement for example in construction off-site fabrication, use of electric vehicles and use of local suppliers to reduce transport emissions are encouraged and scored accordingly</p> <p>One recent success in this area is Warp It an online digital platform enabling organisations to legally and securely redistribute surplus or redundant items within the Council estate and partners. This has permitted the emptying of Portobello High School which is on target to have almost all moveables reused and or recycled by the time the school requires to be emptied prior to demolition.</p>	<p>It is proposed that the Council measure against the Scottish Governments Flexible Framework which sets out the sustainability objectives and target levels set by the Scottish Government.</p> <p>The Warp It tool allows information to be collated on various savings and costs:</p> <ul style="list-style-type: none"> <li>• Item purchase and delivery savings</li> <li>• Carbon emission savings</li> <li>• Procurement purchase to pay cost</li> <li>• Waste disposal and landfill cost.</li> </ul>	<p>The Council's Sustainable Procurement Policy requires updating in line with recent legislation changes. A revised policy is planned for approval at the Corporate Policy and Strategy Committee early 2017.</p> <p>Warp It will be used to empty Boroughmuir High school</p>
<p><b>Fair Working Conditions</b></p>	<p>See accompanying committee report on Living Wage accreditation. The Council has committed to providing for Edinburgh's economic growth and prosperity. The Coalition Pledges include a commitment to: "introduce a Living Wage for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development."</p> <p>In Council tenders providers are asked whether they pay staff a minimum of the Foundation Living Wage rate of £8.25 per hour (to increase on 31<sup>st</sup> October 2016). The Council has also been examining for the last six months those contractors in scope who</p>	<p>% of Council contractors (in scope) paying their staff the Living Wage.</p>	<p>In applying for accreditation the Council has committed to agree milestones to address the non payment of Living Wage.</p> <p>Collate information on Council contractors and their work practices such as those using negative zero hours contracts.</p>



	may not pay their employees as Living Wage and putting in place milestones to address these.		
<b>Edible Edinburgh</b>	<p>Edible Edinburgh is a cross sector group which has developed the Edible Edinburgh Sustainable Food City Plan following city wide consultation. The plan is a tool to help Edinburgh develop as a sustainable food city. it recognises a need for a cultural shift to deliver more healthy, fresh and sustainable food is produced, that fewer people live in poverty and our natural environment is protected.</p> <p>Procurement is one strand in the plan with the following aims:-</p> <p>To develop a thriving local food economy based on public and private sector businesses procuring more sustainable food.</p> <p>Improve the amount &amp; quality of sustainable food procured</p> <p>Establish better communication and links between producers, processors, retailers and customers.</p> <p>Support ongoing delivery of the Edinburgh Food for Life Partnership project.</p> <p>Expanding Catering Mark in settings beyond schools and care homes.</p>	<p>Achievement of the Sustainable Food Cities Network Bronze award.</p> <p>Work towards attaining Food for Life Silver Catering Mark for schools and expand Catering Mark in settings beyond schools and care homes.</p>	<p>Commit to explore obtaining the Silver/Gold Catering Mark and a cost/benefit analysis of the award at higher levels with help from Soil Association Scotland in the Council's in-house catering services which provide for schools and care homes.</p> <p>Development of campaign to develop 'sustainable food tourism'</p> <p>Raise standards in the Council for procurement of sustainable food including roll-out of the bronze standard in all Council catering operations and continuation of pilot of silver Catering Mark at selected Edinburgh schools.</p> <p>Supporting the aims of the Edible Edinburgh</p> <p>Develop a system of food measures and indicators for sustainable food in the city</p> <p>Develop a performance framework for the Edible Edinburgh partnership which</p>

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