

EAST RENFREWSHIRE COUNCIL

CABINET

16 October 2014

Report by the Chief Executive and the Director of Environment

SUSTAINABLE PROCUREMENT POLICY

PURPOSE OF REPORT

1. The purpose of this report is to seek Cabinet approval for a Sustainable Procurement Policy incorporating the Council's approach to community benefits. The issue straddles both the Chief Executive's Office which has responsibility for procurement management within the Council and the Environment Department which manages regeneration, economic development and physical infrastructure.

RECOMMENDATIONS

2. The Cabinet is asked to:-

- (a) Approve the proposed Sustainable Procurement Policy; and
- (b) Delegate to the Director of Environment in consultation with the Chief Officer – Legal and Procurement to implement the policy and prepare guidelines for Council officers, insofar as is permissible within current procurement legislation, in order to maximise social, environmental and economic benefits from procurement and major project delivery.

BACKGROUND

3. Significant economic development opportunities will emerge over the coming years as a result of projects including Council led procurement activity, City Deal, Strategic Development Opportunities within the Local Development Plan, Barrhead High School, Eastwood Health and Care Centre and others.

4. In view of this it was deemed appropriate to formalise securing as many local economic, social and environmental benefits as possible from this activity through a Sustainable Procurement Policy incorporating community benefits.

5. Sustainable procurement is defined by the Scottish Government as the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for **money on a whole life basis and generates benefits not only to the organisation, but also to society, the economy and the environment.**

6. The current legislative context that would allow the Council to seek community benefits and environmental opportunities is contained within the Public Contract (Scotland) Regulations 2012 which permits local authorities to stipulate conditions which relate to **social** and **environmental** considerations in respect of the performance of a public contract. Whilst this is not currently a legal obligation on authorities at this time, it is recognised and encouraged as a legitimate practice in order to improve the economic, social or environmental wellbeing of the authority's area.

7. The 2014 Procurement Reform (Scotland) Act will require local authorities to comply with a sustainable procurement duty in all regulated contracts.

REPORT

8. In light of all this, a proposed policy has been developed and is shown in the Appendix to this report. This policy is intended to reflect East Renfrewshire Council's approach to sustainable procurement and will apply to all contracts for works, goods or services in which the Council has an interest.

9. It is also anticipated that in light of the recently announced City Deal, that this policy will in due course be updated in line with a regional policy, most likely to be based upon the Glasgow Commonwealth Games model.

10. In all relevant contracts, the final decision as to the general appropriateness of the community benefit requirements will be assessed in accordance with criteria and thresholds established and identified in guidance for Council officers. In addition to Council procurement, the policy will be applied through best endeavours to all major development activities relating to City Deal and implementation of the Strategic Development Opportunities through the Local Development Plan.

11. East Renfrewshire Council has identified targets for social, economic and environmental improvements in its Single Outcome Agreement. SOA Outcomes 2 and 3 have particular relevance in this context and further details of the SOA links is contained within the policy documentation.

12. Sustainable procurement provides a vehicle through which the Council can progress its aspirations in terms of Outcomes 2 and 3. It also supports improvement in the quality and sustainability of the environment, the social wellbeing of local residents and the economic wellbeing of small to medium sized enterprises within the Council area.

FINANCE AND EFFICIENCY

13. There are no direct financial implications to the Council as a result of this policy. Implementation will be delivered within existing staffing resources.

14. Implementing community benefits and environmental opportunities should be cost neutral to purchasers with agreed activity funded through other sources. Procuring officers will need to be aware of the potential for indirect or hidden costs and training and guidance will be offered in this connection. Longer term, efficiencies can be expected as a result of implementing a sustainable procurement approach.

CONSULTATION

15. Extensive consultation has taken place between internal Council departments including Education, Economic Development, Procurement, Legal Services and Finance. Benchmarking was carried out to determine best practice. Other public sector bodies were contacted including the Improvement Service, Falkirk, East Lothian, Glasgow City, North Ayrshire, Inverclyde Councils and Clyde Gateway.

PARTNERSHIP WORKING

16. The policy will be implemented by engaging with local businesses, developers, investors and the supply chain. Further partnership working will take place with employability and training partners to deliver benefits to target beneficiaries.

IMPLICATIONS OF THE PROPOSALS

17. There are no IT, equalities or significant staffing implications. However, some officer time will be taken up in terms of the development of guidance and policy implementation.

18. The implementation of the sustainable procurement policy will help to promote, raise awareness of and achieve positive sustainability outcomes.

CONCLUSIONS

19. There is significant scope within procurement legislation and the statutory requirements of local authorities to maximise environmental, economic and social benefits from procurement.

20. The policy of seeking community benefits and environmental opportunities from public procurement and major economic development projects is being encouraged by government and practiced by public bodies in a range of contracts.

21. This policy proposes that the Council will, in all relevant contracts, consider the merits of seeking community benefits and environmental opportunities, as appropriate to each opportunity.

RECOMMENDATIONS

22. The Cabinet is asked to:-

- (a) Approve the proposed Sustainable Procurement Policy; and
- (b) Delegate to the Director of Environment in consultation with the Chief Officer – Legal and Procurement to implement the policy and prepare guidelines for Council officers, insofar as is permissible within current procurement legislation, in order to maximise social, environmental and economic benefits from procurement and major project delivery.

Chief Executive and Director of Environment

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KEY WORDS

A report setting out the requirement for a new Sustainable Procurement Policy
Procurement; Community Benefits; Sustainable; Employability; Environmental Opportunities

Appendix 1

East Renfrewshire Council Sustainable Procurement Policy

Introduction

1. This policy reflects East Renfrewshire Council's approach to sustainable procurement. It is intended that it will apply to all contracts for works, goods or services in which the Council has an interest.
2. Sustainable procurement is defined in the Scottish Government's "Procuring the Future - Sustainable Procurement National Action Plan "(2006) as the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits not only to the organisation, but also to society, the economy and the environment.

Current Legislative Context

3. The Public Contract (Scotland) Regulations 2012 permit local authorities to stipulate conditions which relate to social and environmental considerations in respect of the performance of a public contract. This is not currently a legal obligation on authorities. Whilst local authorities are not at this time legally bound to address community benefit issues in procurement, it is both recognised and indeed encouraged as a legitimate practice in order to improve the economic, social or environmental wellbeing of the authority's area.

Prospective Legislative Context

4. The Procurement Reform (Scotland) Act 2014, as and when its various provisions are brought into force, will require local authorities to comply with the sustainable procurement duty in all regulated contracts. The sustainable procurement duty in terms of the Act is defined as the duty of a contracting authority –
 - a. before carrying out a regulated procurement, to consider how in conducting the procurement process it can —
 - i. improve the economic, social, and environmental wellbeing of the authority's area,
 - ii. facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process, and
 - iii. promote innovation, and
 - b. in carrying out the procurement, to act with a view to securing such improvements identified as a result of paragraph (a)(i).

Regulated procurements are defined in the Act as procurement processes for works contracts of a value of £2million or more and all other public contracts with a value equal to or greater than £50,000.

For all contracts of a value equal to or in excess of £4 million, the 2014 Act will also require local authorities to expressly highlight community benefit requirements in contract notices or, if they are determined as unnecessary, to state why.

East Renfrewshire Policy Context

5. East Renfrewshire Council has identified targets for social, economic and environmental improvements in its area in the Single Outcome Agreement. Outcomes 2 and 3 have particular relevance in this context:-

SOA 2. East Renfrewshire residents are fit and active and have the skills for learning, life and work.

- a. Children are confident, effective learners and achieve their full potential
- b. Children and young people raise their educational attainment and achievement developing the skills they need during their school years and into adulthood
- c. Residents have the skills for employment through increased take up of education and training opportunities
- d. Residents are active and optimise their health and wellbeing

SOA3. East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow.

- a. The economy is stronger through increased business growth, targeted support and investment
- b. Our natural and built environment is enhanced and our environmental impact minimised
- c. Residents live in communities that are strong, self sufficient, resilient and supportive.
- d. Residents live in warm, dry and energy efficient homes
- e. Residents have access to a range of services via travel choices based on an integrated and sustainable transport network.

6. Sustainable Procurement provides a vehicle through which the Council can progress its aspirations in terms of Outcomes 2 and 3. It also supports improvement in the quality and sustainability of the environment, the social wellbeing of local residents and the economic wellbeing of small to medium sized enterprises within the Council area. In furtherance of these targets, East Renfrewshire Council has a stated commitment to adopt and develop sustainable procurement practice.

Policy Statement

7. In satisfying this commitment, the Council will, in all relevant contracts, consider the merits of seeking community benefits, whether of a social, economic or environmental nature. In any given procurement, the final decision as to the general appropriateness of community benefit requirements and the particular nature of such requirements will be assessed in accordance with criteria and thresholds established from time to time and identified in guidance for Council officers. In cases where community benefit requirements are deemed appropriate the Council shall at all times ensure that those requirements are compatible with European Community law and are stated in the contract notice or in the contract documents.

8. Prior to the coming into force of the 2014 Act, East Renfrewshire Council's Procurement practice shall give full consideration to the relevance and appropriateness of the use of social and economic community benefit clauses in all contracts, whether for the supply of goods, services or works, which have a value in excess of £100,000. Subsequent to the Act's introduction, consideration of the use of social and economic community benefit requirements shall be extended to goods and services contracts with a value of £50,000 or more. In addition, ERC will seek to maximise opportunities for environmental benefits and ensure the reduction of negative environmental impacts in all procurements for goods, services or works of a value of £25,000 and above relating to:-

- i. Construction and construction products
- ii. Electrical Goods
- iii. Transport
- iv. Waste Management
- v. Cleaning Products and Services
- vi. Furniture
- vii. Paper and paper Products
- viii. Food and Catering Services
- ix. Horticulture and Park Services

All tender documentation (including Quick Quote briefs) relating to contracts falling within these criteria shall be prepared with reference to the Council's "Sustainable Procurement- Environmental Opportunities Checklist".

9. In progressing its stated aims East Renfrewshire Council shall initially seek to focus community benefit requirements on the following target beneficiaries :-

- a. Targeted recruitment and training (TRT) for priority employability groups
- b. Work experience placements for the same target groups
- c. Curriculum support for schools and those on employability pathways
- d. Community enhancement for community groups and projects
- e. Small and Medium Enterprises (SMEs) and Social Enterprise Organisations (SEOs) supply chain

In any given case, and in accordance with criteria outlined in guidance for officers, social and economic community benefit requirements may include targeted recruitment and training, work experience placements, curriculum support in schools, the development of supply chain initiatives, the promotion of social enterprises and increased resources for community initiatives. In order to ensure the ongoing relevance of its' approach given a changing economic climate, the Council shall from time to time revisit the choice of target beneficiaries and the scope of community benefit requirements sought.

10. The Council shall incorporate community benefit requirements into conditions of contract in all relevant cases and shall also impose financial obligations upon contractors in the event of their default in meeting such contractual requirements. The value of such a sum shall depend on the nature of the envisaged community benefit and the extent to which the contractor has failed or delayed to deliver it. Decisions to pursue monetary sums as become due in any given case shall be taken in accordance with guidance for Council Officers current at that time taking full account of all the circumstances.

11. The Council will adopt a proactive approach with contractors involved in procurement projects to provide early, strong and clear guidelines on community benefits and environmental opportunity expectations. The Council shall ensure early engagement with such parties through the Director of Environment (in close consultation with Education and Procurement) who may inform parties on the process and the supports available to assist them in meeting any such requirements as are imposed. In any relevant procurement, contractors will be required to submit a methodology statement in respect of any community benefits that the Director of Environment has identified as proportionate and relevant to the contract. The Director of Environment will also monitor and verify the impact of this policy in relation to the Council's objectives and shall report to the Council's Chief Procurement Officer in this respect on a quarterly basis.