



Author/Lead Officer of Report: Filip Leonard –
Head of Procurement and Supply Chain

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Report of: *Eugene Walker – Executive Director Resources*

Report to: *Cllr Olivia Blake – Cabinet Member for Finance and Deputy Leader of the Council*

Date of Decision: *23/03/18*

Subject: *Ethical Procurement Policy*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000		<input type="checkbox"/>		
- Affects 2 or more Wards		<input type="checkbox"/>		
Which Cabinet Member Portfolio does this relate to? <i>Finance</i>				
Which Scrutiny and Policy Development Committee does this relate to? <i>Overview and Scrutiny Management Committee</i>				
Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<i>“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”</i>				

Purpose of Report:

The purpose of the report is to implement the proposals of an Ethical Procurement Policy to achieve the following:

- 1. Clearly set out our Ethical principles in the Ethical Code of Conduct for Suppliers*
- 2. Embeds the Ethical principles in day to day procurement practice (PQQ and Tender documentation includes enhanced Ethical tests*
- 3. Holds suppliers to account for unethical behaviour through contractual obligation, with the*

ultimate consequence of contract termination.

- 4. Increases the potential growth of the Sheffield '£' and demonstrates our value of use of local Sheffield suppliers.*

Recommendations:

It is recommended that the Cabinet Member to implement Ethical Procurement Policy in full.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: <i>Paul Schofield</i>
	Legal: <i>David Hollis</i>
Equalities: <i>(Insert name of officer consulted)</i>	
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission: <i>Eugene Walker</i>
3	Cabinet Member consulted: <i>Cllr Olivia Blake</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	Lead Officer Name: <i>Filip Leonard</i>
	Job Title: <i>Head of Procurement and Supply Chain</i>
Date: <i>23/03/2018</i>	

1. PROPOSAL

1.1 Members requested a review of our commissioning cycle specifically with regard to the Council's ability to address:

1. Tax compliance;
2. Ethical Procurement;
3. Grave Misconduct;
4. Living Wage; and
5. Blacklisting;

within the supply chain. After initial CMT and EMT feedback the scope of work was aggregated to produce an approach on 'How SCC would like to do business' and the further topics of

6. Local Economic Impact; and
7. Social Value

were integrated into the work and the overall banner of 'Ethical Procurement' adopted to cover all the items listed.

This report articulates a series of revisions to protocols, process and tools across Sheffield City Council (SCC) and its supply chain, to enable the Council to 'conduct business ethically, effectively and efficiently for the benefit of Sheffield' (the vision). In particular focusses on adopting three key tools, Social Value tests, Ethical Code of Conduct for suppliers and revised Tender processes.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The decision will contribute to Sheffield Councils ambition to conduct its business in an open fair and transparent manner. The decisions will also contribute to better in work outcomes for Sheffield citizens and contribute to the Strong Economy and create condition for local business growth. The embedding of Social Value will facilitate the better Health and Wellbeing of Citizens.

Proposal	Benefit to Sheffield	Benefit to Supplier
New Ethical Code of Conduct for Suppliers (ECCS)	Driving up Ethical Standards. Wearing our heart on our sleeve and want to foster best practice with suppliers	Single reference point for ethical policies and understanding their implications
PQQ disqualification tests against suppliers, parent	As above	

company, group and subsidiaries.		
New PQQ disqualification test introduced for breach of International Human Rights.	As above	
Introduces two mandatory new tests to evaluate local economic impact of a contract being awarded.	Aims to increase the Sheffield '£'	Greater opportunity to join SCC supply chain for local suppliers
Increase the threshold of Goods, Services and Works contracts for Tender to £150k. (Means quote for works below this threshold)	Aims to increase the Sheffield '£'	Greater opportunity to join SCC supply chain for local suppliers
Mandate one of three Quotes is requested from a Sheffield Supplier.	Aims to increase the Sheffield '£'	Greater opportunity to join SCC supply chain for local suppliers
Introduce mandatory Social Value weighting and menu selection of social value test appropriate to each tender.	Greater service benefits for Sheffield residents	
(Re)Launch Supply2Sheffield	Increase access to SCC procurers and market engagement. Clarity on pipeline of opportunities	
Pay Plus Scheme	Better cash flow opportunities for suppliers	

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The Ethical Procurement Policy has been presented to scrutiny gaining wide member consultation, suppliers, local pressure groups and the Voluntary Community Forums have all been involved in policy creation.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 There are no Equality Implications

4.2 Financial and Commercial Implications

- 4.2.1 There are potential risks relating to decreased competition through suppliers opting out, or being excluded and the risk of increased cost as supplier's price increased requirements that the Policy places on them.

Monitoring of Social Value outcomes must be robust and a Toolkit will need to be developed to ensure that the Council approach this consistently, a contract management tool may also be required at a cost of approx. £10-£20k
The ability for suppliers and the Council to perform diagnostic assessment to keep scores and record/monitor the Ethical performance of suppliers must also be introduced. Supply2sheffield has an annual on-going cost of c£20k.

4.3 Legal Implications

- 4.3.1 The Council does not have to have an ethical procurement policy but is empowered to do so by the general power under s1 Localism Act 2011.

The procurement by the Council of supplies, works and services are covered by EU Treaty obligations and the Public Contract Regulations 2015. These impose the concept of transparency and in some cases prescribed procedures for procurement and exclusions of bidders. The policy has been drafted to have regard to those requirements but in individual cases might require a departure from the policy for the procurement to be compliant with these laws.

The proposed policies and following documentation will require review and to be updated to bring them in line with the policy

- Contract Standing Orders
- Procurement Templates
- Model Contract drafting & changes to Terms and Conditions

4.4 Other Implications

- 4.4.1 *None*

5. **ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 The Council may have chosen to do nothing, but this is not an acceptable position.

6. **REASONS FOR RECOMMENDATIONS**

- 6.1 Implementing an Ethical Procurement policy is the only effective way of the Council as an organisation being able to manage the Ethical requirements of Members in the supply chain and ensure that :

1. Tax compliance;
2. Ethical Procurement;
3. Grave Misconduct;
4. Living Wage; and
5. Blacklisting;

6. Local Economic Impact; and

7. Social Value

are included in all procurement and contract management activity across the organisation. The proposals should enable the following outcomes;

Ethical

- Drive (SCC's view of) ethical behaviour as a standard throughout the supply chain
- Enable greater return in Social Value in Sheffield

Effective

- Increase SCC spend in the local economy / market
- Increase our understanding of the supplier markets
- Stimulate business growth
- Bring in innovative ideas and thinking from the market
- Accommodate short to mid term change / flexibility into contractual arrangements
- Drive an increase in cashable savings

Efficient

- Streamline processes
- Be (increasingly) cohesive in our messaging / engagement with suppliers / market
- Have processes that drive the right outcome (rather than focus solely on compliance)