



## Report to Overview and Scrutiny Management Committee 14/11/18

**Report of:** Executive Director Resources

**Subject:** Ethical Procurement

**Author of Report:** Filip Leonard, Head of Procurement & Supply Chain

### Summary:

Members requested a review of our commissioning cycle specifically with regard to the Council's Ethical Procurement Policy. The purpose of which is to enable the Council to *'conduct business ethically, effectively and efficiently for the benefit of Sheffield'*

This paper sets out that the Ethical Procurement Task Group's policy implementation is having an impact in Sheffield:

- More workers in our supply chain are paid the Real Living Wage;
- Suppliers are getting paid more quickly;
- The code of conduct has 100% compliance for all new suppliers
- Half of contracts are being awarded locally by the sourcing team and local spend is 47% or £256m in the first 6 months of the year.
- Social Value benefits are increasing and impacts Sheffield Citizens.

**Type of item:** The report author should tick the appropriate box

Reviewing of existing policy	X
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Community Assembly request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	X
Other	

### The Scrutiny Committee is being asked to:

Provide steer and contribute to the development of the Ethical Procurement Policy. Consider the content of the report and feedback on the progress of the programme.

### Background Papers:

**Ethical Procurement Implementation Update**

**Category of Report:** OPEN

## **Report of the Head of Procurement and Supply Chain**

### **Ethical Procurement Implementation Update**

#### **1. Background**

The Ethical Procurement Policy marked a radical ambition to use our spending power to drive ethical standards and social outcomes in our procurement. The cuts that Government have forced upon the City Council in the previous 7 years reduced our budget by over £390m putting pressure on services, communities and giving us increasingly difficult choices about how we use the money we do have available. Despite, or indeed because of this, the City Council needed to use its remaining spending power to deliver maximum impact to achieve its social and policy priorities. We do provide many services directly, but a significant proportion of our services are delivered by suppliers, so this puts procurement at the forefront in enabling these objectives.

Our Ethical Procurement Framework is a clear commitment to:

- maximising the Council's ability to use its discretion to apply ethical standards to behaviour throughout its supply chain
- use the money we spend to increase the social value and benefits for local people and businesses. This means that companies the Council contracts with must share our desire to create a city economy that works for all by paying their taxes, respecting workers' rights and equal opportunities, and invest in the talents of their employees through good training and healthy, safe working conditions. We want to encourage companies to think about the wider social impact on Sheffield communities of their activity.

By embedding these principles in our procurement practice, we support and encourage investment in the city's economy, creating fairer opportunities for local businesses and suppliers to deliver local contracts which in turn, can create good local jobs.

Sheffield City Council have set our stall out by being a leading Real Living Wage employer but we are only responsible for a proportion of the money invested in services, contracts and products in Sheffield. We believe that the Ethical Procurement Framework represents an opportunity for all of Sheffield's key institutions and partners – hospitals, businesses, universities – to use our collective financial power to get the best value and best opportunities for Sheffielders and local businesses.

#### **2. Policy Summary**

Sheffield City Council is committed to ensuring a high standard of ethical practice across our trading landscape and is raising the expectations of ourselves and our supply chain.

The Council expects all internal staff, partners and suppliers to work to these augmented standards which assure we will:

- Trade with those who comply with an Ethical Code of Conduct
- Exclude suppliers committing acts of Grave Misconduct
- Improve Social Outcomes for the citizens of Sheffield
- Increase the power of procurement and its Local economic impact.

The policy document 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.

Following 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, and the further topics of:

6. Local Economic Impact; and
7. Social Value

### 3. Policy Outcomes

The proposals anticipated 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)

#### 4. Operational changes and progress

The Ethical Procurement Policy meant a number of changes within the Procurement and Supply Chain team to structures, process and procedures to enable to creation of a number of products.

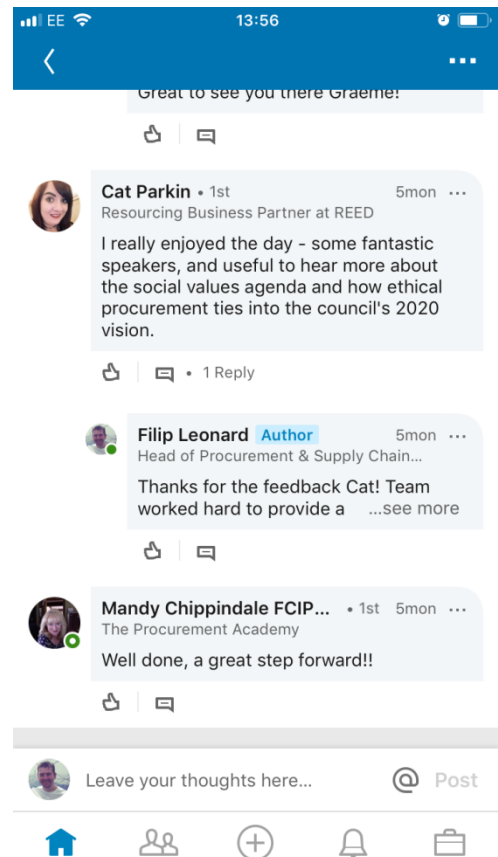
Outcome	Operational Delivery Strategies
<p><b>Drive (SCC's view of) ethical behaviour as a standard throughout the supply chain</b></p>	<ul style="list-style-type: none"> <li>• Develop Ethical Charter</li> <li>• Inclusion of charter all new procurement as Condition of Contract</li> <li>• Enable existing supply base to sign up to contract variation</li> <li>• Develop toolkit for Suppliers</li> <li>• Amends to standard supplier questionnaire</li> <li>• Training &amp; development for teams</li> <li>• Hold Ethical Supplier day event</li> </ul>
<p><b>Enable greater return in Social Value in Sheffield</b></p>	<ul style="list-style-type: none"> <li>• Changes to commissioning process</li> <li>• Inclusion of minimum weightings in tenders</li> <li>• Changes to documentation</li> <li>• Training and Development for teams</li> </ul>
<p><b>Increase SCC spend in the local economy / market</b></p>	<ul style="list-style-type: none"> <li>• Training and Development for suppliers</li> <li>• Implementation of a sourcing team to ensure at least one quote &lt;£150k is sourced locally</li> <li>• Changes to Constitution</li> <li>• Use of Social Media to market to local suppliers</li> </ul>
<p><b>Increase our understanding of the supplier markets</b></p>	<ul style="list-style-type: none"> <li>• Use of third party reporting tools</li> <li>• Encouraging officers to network with suppliers more effectively through objectives setting</li> </ul>
<p><b>Stimulate business growth</b></p>	<ul style="list-style-type: none"> <li>• Use Local Economic Impact evaluation criteria within tender</li> <li>• Training and Development for suppliers</li> <li>• Identify gaps in the local market for the provision of goods and services and market the opportunity</li> <li>• Development of payment incentive schemes for supplier</li> </ul>

<p><b>Bring in innovative ideas and thinking from the market</b></p>	<ul style="list-style-type: none"> <li>• Encouraging officers to network with suppliers more effectively through objectives setting</li> <li>• Use of third party reporting tools</li> <li>• Early engagement with suppliers in the commissioning process</li> <li>• Increase in pre-market engagement</li> </ul>
<p><b>Accommodate short to mid-term change / flexibility into contractual arrangements</b></p>	<ul style="list-style-type: none"> <li>• Letting contracts designed to capture development and innovations, increased use of framework arrangements</li> </ul>
<p><b>Drive an increase in cashable savings</b>  <b>Be (increasingly) cohesive in our messaging / engagement with suppliers / market</b></p>	<ul style="list-style-type: none"> <li>• Development of payment incentive schemes for supplier</li> <li>• Minimum price evaluation</li> <li>• Supplier Event</li> </ul>
<p><b>Have processes that drive the right outcome (rather than focus solely on compliance)</b></p>	<ul style="list-style-type: none"> <li>• Changes to Constitution</li> <li>• Implementation of a new acquisition model</li> </ul>

These changes have now synthesised into some key products which included;

- A dedicated team of Procurement and Supply Chain “Ethical Champions” who are responsible for leading the implementation of changes to the Council and who will review progress against the policy outcomes.
- An amended supplier questionnaire for all procurement above £150k to allow suppliers to be deselected based on their ethical performance such as Grave Misconduct which renders a bidders integrity questionable
- Implementation of the new how to buy model and a sourcing team at Sheffield City Council
- An innovative approach to delivering Real Living Wage in the Councils’ Contracts.
- The Supply2Sheffield training and events for suppliers
- The Supply2Sheffield Pay Plus scheme
- A partnership with the University of Sheffield to produce an Ethical Diagnostic Toolkit aimed at achieving sustainable ethical supply chains.
- Training and information updates for managers across the Council.
- Changes to Councils standing orders
- Amended terms and conditions to include compliance against the ethical charter and commitments to Living Wage
- Amended tender documentation to include new Social Value evaluation model, Pay Plus scheme and Living Wage requirements

To ensure the success of the project it was important to ensure that we approach our supply chain in a very positive and collaborative manner. To that end the Council hosted a well-attended Ethical Procurement event on the 29<sup>th</sup> October 2018 for current suppliers. The day enabled the Council to set out its Ethical performance standards and approaches. The Ethical Launch day included Neil Mcinroy from CLES, one of the top 50 most influential people in local government, who assisted us with understanding local economic strategies deployed in the Preston model to deliver inclusive growth. Oxygen Finance also supported with supply chain finance advice for the Pay Plus Scheme.



## 5. Success so Far

### a. Real Living Wage

In October 2019, The Real Living Wage (RLW) foundation re-accredited Sheffield City Council for a further year for the work in encouraging the payment of RLW in the supply chain. Currently 80% of our supply chain (by value) pays RLW, 81% of suppliers in total.

**Sara Johnson of the RLW Foundation told us** *“Sheffield City Council has gone beyond the accreditation, to promote the Living Wage in Sheffield and throughout its supply chain. As part of the Living Wage accreditation process, Sheffield City Council has engaged with suppliers on the real Living Wage and will be able to measure detailed Living Wage impact across the supply chain through the in depth supplier toolkit which it has developed in partnership with the University of Sheffield”.*

**Tess Lanning, Director of the Living Wage Foundation, said:**

*“We’re delighted to welcome Sheffield City Council to the Living Wage movement as an accredited employer. We know that when major employers like councils commit to paying the real Living Wage thousands of people get a pay rise, but other local employers also follow their lead. This is how we build true Living Wage places.”*

The vast majority of workers not paid RLW are working in Adult and Children’s Social Care services, this presents a challenge given the significant cost and demand pressure the Council faces in this area. Research and evidence does suggest that payment of RLW to these workers may contribute positively to retention, recruitment and productivity, key challenges for certain parts of our supply chain. The Ethical Policy does not mandate payment of the Real Living

Wage by all of its suppliers, however the Council is working on a business case to understand the impact of this, should it become policy.

### **b. Early Payment Scheme**

The scheme has recruited 67 voluntary suppliers, a mix of SME's and VCF local companies who are benefitting from the getting paid early.

The benefits are best described by the suppliers themselves, Gary Adshead (Director Burngreave Building Company) said;

*“Predictable, reliable early payment of invoices, particularly from large clients is vital to our company’s survival. The reduction of time chasing invoices is a massive key benefit to us. This programme we feel will enable local business to grow and develop, leading to a proper economic benefit.*

*“Try this scheme, it can and it seriously would make a significant difference to your business, you can forge a stronger relationship with the Council, easing cash flow at the same time, reducing your reliance on finance.”*

### **c. Social Value**

Mandating Social Value has meant we have been able to specify such things as apprenticeships in procurements with the following results; 752 new employment outcomes, 60 new apprentices, provided skills and work experience for 323 young people, further details on achievements are at Appendix 1.

The Council has partnered with the Social Value Portal to help bring consistency and clarity to all tendered procurement activity, to help grow the pockets of excellence we've had in Construction for example.

This now means that each tender now has a Social Value method statement and attributable “£” in proxy values. This is currently being trialled in a major / high value tender, with initial responses returning a potential of £13m in social value (See Appendix 2). We will shortly be able to report a “£” social for all new tendered activity.

The Council is also now a member of the National Social Value Task Force, influencing this agenda nationally.

## **Martin Toland Investment Manager | Investment Management Services | Amey Group PLC**

*“Amey shares Sheffield City Council’s vision to create a local economy that works for all through its ethical procurement policy. Through its 25-year Streets Ahead highways contract with the council, Amey is committed to delivering social value in all its services and activities and supports the use of local suppliers dedicated to the high quality and ethical standards the city demands.*

*At Amey we are fully committed to supporting communities and investing in people and the future. We are constantly thinking about the wider social impact our activities have on Sheffield communities by engaging with programmes and people in a variety of areas. We work with partners and sub-contractors to encourage and support employment of local unemployed people by offering apprenticeships, work experience programmes and schools and college visits.*

*Since the contract began in 2012 we have had 80 apprentices and since 2016, ten interns. We run a supported intern programme for young people with special educational needs, working closely with local colleges and special schools, and we offer work experience placements for youngsters wherever we can. We also work with Youth Justice and are part of a newly launched programme in the city called Forging Ahead, which helps ex-offenders out of the criminal justice system and into meaningful work and training.*

*Our education in the community programme has seen us visit more than 270 schools (around 60,000 pupils) since the contract began delivering regular school assemblies and events on litter awareness and the environment. Our employees took part on more than 60 Community Involvement Days in 2018 alone where they spend time on practical activities like pruning trees, carrying out pathway repairs, tidying areas in places such as nursing homes, schools, and recreation areas. Street cleansing activities at Streets Ahead also go far beyond the contractual requirements with the existence of several hundred active local and community litter-picking groups supported by Amey across the city region.”*

## **Guy Le Geyt, General Manager Energy Recovery Facility & District Energy Veolia**

*"Veolia is proud to support Sheffield City Councils drive to ensure its procurement activities are ethical. This initiative is closely aligned to Veolia's approach to its business activities in Sheffield. In recent years Veolia Sheffield has worked with local education providers to train apprentices to work at the Energy Recovery Facility. This approach has ensured that local people can be given the engineering skill required to support the Energy Recovery Facility and District Energy network for many years to come."*



#### **d. Sourcing Team & Local Spend**

For the financial year April 2018 – March 2019, the sourcing team awarded c1.8m contracts to 138 companies, 60 of those contracts were awarded to companies within the city ward boundaries and 73 in the Sheffield City Region. In the first 6 months of this year, the sourcing team have conducted 79 procurements; they have saved £144k and awarded half of contracts locally. This demonstrates the success of mandating 1 local quote for our goods and services requirements.

Local spend (Businesses Located in Sheffield) was 42% for April 2018 – March 2019, this year to date it is currently 47%.

#### **Supplier feedback received on Sourcing team:**

**easyValeting:** *“Thanks again Alicia to yourself and Sheffield City Council for this opportunity to work together, made easy.”*

#### **Client feedback received on Sourcing team:**

**Sarah Lowi Jones:** *‘ I had a great service from your team, specifically Adam Elwis. He was so responsive to my questions and queries, always providing helpful and constructive advice and support’.*

**Diana Buckley:** *I just wanted to email to note the great service I’ve always had from Sian, and now Matt. Matt has worked with me on a daily basis to make my deadline work. He has really added value. He has been responsive to draft specifications and proactively identified companies.*

**Brent Collier:** *Many thanks Lucy for all you help on this project; everything looks like it is going to hit the deadline of the end of the month, which wouldn’t have been achieved without your help and very quick turn round of this quote.*

#### **e. Code of Conduct**

All tender and quotation documentation has now been changed and 100% of new suppliers are signing up to the Code of Conduct as a Council requirement.

#### **a. Other Ethical work**

The Council achieved 61st overall in the Stonewall 2019 list, 4th in local government, but with a score of 15 out of 17 in procurement area, we have the top UK score for our supply chain. (See Appendix 1.)

We expect to commence the supplier education sessions “supply2sheffield” in the New Year. These will be aimed a local business to help them win bids.

The team were able to celebrate winning the 2019 CIPS award for Ethical Procurement. CIPS, the Chartered Institute of Procurement and Supply, is the dynamic champion driving the global procurement and supply management profession. CIPS is a not-for-profit organisation with offices around the world. CIPS is the world’s largest organisation dedicated to the profession, with a global community of over 200,000.

## Ethical Procurement – Public Sector

**WINNER:** Sheffield City Council

**PROJECT:** Ethical Procurement:

*How Sheffield Would Like to do Business*

When Lord Blunkett says your initiative is “excellent”, you know it is really something. When that initiative is in the cash-strapped local government sector, you know it could have a huge impact on society. Ambitious, but that is exactly what Sheffield Council wanted to be when it decided it could use its supply chain to maximise ethical behaviours and increase benefits for local people and businesses. A task force was established to develop products in partnership with third parties including a new acquisition model and team structure; tender thresholds raised to £150,000 (the UK’s highest), a sourcing team with the mandate to source locally, and a 15% mandatory minimum weighting for social value. The sheer ambition

*Judges’ comments: “An ambitious programme with wide ranging benefits and comprehensive stakeholder management. It’s a truly sustainable ethical procurement programme that has also looked to improve and address a low pay culture in the local area. A punchy submission.”*

impressed judges, as did the achievements, including 80% of supply chain paid Real Living Wage, the top UK procurement score in Stonewall 2019, 50% of contracts awarded to local suppliers, £547,000 savings, and the introduction of a Pay Plus scheme improving supplier relationships.



### 6. Measurement and Performance

At the scrutiny committee of October 2018 a set of measures were proposed, below is an update on achievement against those measures.

#### **Measure 1: New Ethical Code of Conduct**

*Number of Suppliers that sign up to the Ethical Code of Conduct in contracts.*

**RESULT:** 100% of all new suppliers sign up to the scheme

#### **Measure 2: Tax Compliance**

*100% of supplier excluded for failing tax compliance.*

**RESULT:** No suppliers we have engaged have failed tax compliance criteria.

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**Measure 3: Grave Misconduct**

SSQ\* documents amended and utilised for 100% tenders

**RESULT:** 100% of SSQ documents completed self-declaration

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\*SSQ Supplier Standard Questionnaire is a standard document the Council is required to use by law in competitive procurement above Public Contract Regulations thresholds.

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**Measure 5: Real Living Wage**

Achievement of the Real Living Wage Foundation Accreditation.

**RESULT:** The Council has gained Living Wage Accreditation for the second year running.

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Number of Employees working on Council Contracts paid the Real Living Wage (RLW)

**RESULT:** Currently 80% of our supply chain (by value) pays RLW, 81% of suppliers in total.

We estimate 5'000 workers may not be paid RLW (4'500 of which are in the care sector)

**Measure 6: Blacklisting**

SSQ documents amended and utilised for 100% tenders

**RESULT:** 100% of SSQ documents completed self-declaration, or are excluded.

**Measure 7: Local Economic Impact**

Number of quotes awarded to local businesses increasing  
Changes to standing orders in Full cabinet in October

**RESULT:** Half of all quotes are now awarded locally. Local spend is 47%, or 256m for the first 6 months of this year

**Measure 8: Social Value**

% of tenders including Social Value and  
The monetary value of social return that has been bid at tender stage\*

**PROGRESS:** \*Using a version of the National TOMs, we have started to utilise a set of published 'Proxy Values' that will allow the Council to assess the

financial impact that any measure will make. This will be reported quarterly once the first contracts are awarded.

***Measure 9: Supplier Ethical Performance***

Sheffield City Council and University of Sheffield's developed a diagnostic toolkit to help suppliers to achieve financially sustainable supply chains and excellent employment practices.

The Council will utilise this tool to monitor and measure ethical performance across the breadth of its supply chain, the reporting mechanism (on a red amber green basis) will enable strategic interventions to be made and implemented for specific sectors, where concerns are identified.

**PROGRESS:**The Council will started to roll out the online toolkit to its supplier base starting with a lite version of the toolkit this summer. We have requested results to be returned by Christmas so we can compile the data review, and report.

END