

<b>SUSTAINABLE PROCUREMENT STRATEGY OUTCOMES</b>			
<b>BRIEFING NOTE / INFORMATION ITEM</b>			
<b>CPIC (2020/21)</b>	<b>MEETING</b>	<b>DATE</b>	<b>CLASSIFICATION:</b>
07 June 2021			Open
<b>WARD(S) AFFECTED</b>			
All Wards			
<b>CABINET MEMBER</b>			
Councillor Robert Chapman - Lead Member for Finance			
<b>KEY DECISION</b>			
No			
<b>REASON</b>			
N/A			
<b>GROUP DIRECTOR</b>			
Ian Williams Group Director - Finance and Corporate Resources			

**BRIEFING NOTE**

**APPENDICES**

[Appendix A: Data Analysis - Sustainable Outcomes in Hackney Contracts](#)

[Appendix B: Updated Sustainable Procurement Action Plan 21/22](#)

[Appendix C: Procurement Impact Assessment Tool \(PRIMAS\)](#)

[Appendix D: Draft Modern Slavery Statement](#)

**EXEMPT**

N/A

**BACKGROUND PAPERS**

**In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required**

1. Sustainable Procurement Strategy
2. Sustainable Procurement Strategy - CPC Report (Nov 2018)

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## 1. INTRODUCTION / BACKGROUND

- 1.1 In November 2018, a report was brought to Cabinet for the approval and adoption of the Sustainable Procurement Strategy. It was recognised that procurement activities could have positive socio-economic and environmental implications, both locally and globally, not just in the short term but for future generations. The report set out recommendations for procurements across the Council to consider sustainable outcomes and to ensure that the Council continues to empower its local communities and target diminishing resources at its most vulnerable residents. The Strategy also looks at practical ways that procurement could achieve sustainable priorities through using the triple bottom line and addressing Hackney's main priorities.
- 1.2 The borough had a good record of sustainable development prior to the Strategy being introduced, however the document underpinned the priorities of the Council, building on existing strategies and processes, using lessons learned and balancing other priorities of the Council alongside ongoing financial pressures. The Strategy details the Council's plan for addressing the negative impacts and maximising the social, economic and environmental benefits through procurement and contracting activities. As there has been adequate time to implement changes into our procedures using the approaches mentioned, some of the wider community benefits delivered through the Council's contracting activities since 2018 are detailed in this report. Through increased positive supplier relationships, the Council have managed to obtain clear outcomes for services, and this has impacted positively on the borough.
- 1.3 The priorities laid out in the Strategy are as follows:
  - ❑ Procuring Green
  - ❑ Procuring Fair Delivery
  - ❑ Procuring for a Better Society

These priorities are the basis for the key commitments set out in the Strategy with key performance measures for capturing outcomes. Since 2018, the key principles for achieving our ambitions have been utilised by procurement staff and have been built upon over the past two years to ensure that practice remains relevant to Council, legal and procurement matters. The Strategy also provides clear position statements on our policies and commitments on new and emerging challenges such as non-reusable plastics, procuring more of renewable products, and addresses the following key issues:

- ❑ Trade Union recognition in contracting activities and by our contractors
  - ❑ Mechanisms for contracted workforce to raise concerns with LBH commissioners
  - ❑ Tackling poor air quality and reducing emission from our contracting activities
  - ❑ Securing renewable products as part of meeting our obligations under the UK100 agreement
  - ❑ Tackling Modern Slavery and Human Trafficking
- 1.4 Whilst we have endeavoured to collate information for this report, this should be read in the context that deliverables have been impacted by COVID19, as well as Council

resources whilst services have initiated their Business Continuity Plans. Monitoring information has also been compromised by the Cyber Attack and the effects it had on the Council's legacy filing systems such as eDocs.

## **2. RECOMMENDATION(S)**

**Cabinet Procurement and Insourcing Committee is recommended to:**

### **2.1 Note the benefits and outcomes that have been achieved by the Council through the implementation of the Sustainable Procurement Strategy (2018)**

## **3. CONSULTATION**

3.1 In developing the Strategy, consultation was conducted through workshops, face-to-face discussions with officers and members, and electronic distribution of the draft document to the following stakeholders:

- elected members
- legal services colleagues
- 1-3 tier managers
- Key stakeholder departments

3.2 The consultation process for developing the Strategy was wide-reaching and it took account of the need to build on previous achievements, drawing from the lessons learned shared through Cabinet Procurement Committee briefings and reports. In writing this report, we have conducted some research on outcomes that have been delivered so far to ensure that we do not only replicate these standards when we do a refresh of the Strategy, but enhance them whilst also delivering on the Mayor and Cabinet Members' aspirations.

3.3 It has been crucial to ensure that the principles, priorities and commitments set out in the strategy are disseminated, understood by Council officers, its suppliers and partners. We have continued to work with teams across the Council to deliver these outcomes. This is apparent through work done with the Employment and Skills team and the Council's Strategy and Policy team, as well as sub-divisions of these departments such as the Inclusive Economy and Business teams.

## **4. OUTCOMES ACHIEVED SO FAR**

### **4.1 Sustainable Procurement Strategy:**

The Sustainable Procurement Strategy is a forward looking document, focussing on how sustainability outcomes can be implemented through the procurement process. This section of the report will detail the benefits we have seen since its implementation.

It is important to note that the Strategy forms part of a package of documents that provide overall governance on procurement for the Council which also includes Contract Standing Orders and the Procurement Toolkit.

### **4.2 Sustainable Priorities Chart (Heatmap):**

A sustainable procurement priorities heatmap has been developed which can be used at the outset of commissioning and procurement activity to identify sustainable risks and opportunities. The Procurement Team discusses sustainability with the project team, using the Sustainable Procurement Priorities Heatmap, to identify where the themes are most relevant to deliver benefits and reduce risks.

The Heatmap is designed to work alongside the revised Procurement Impact Assessment tool (PRIMAS), which is used for procurement projects over £100,000 (and over £25k until 2016). The PRIMAS records the sustainability impacts of the procurement and ensures that through the contract specification and performance indicators, negative impacts are addressed and benefits embedded for meaningful outputs.

#### 4.3 Council Training:

All the Procurement staff have participated in the Chartered Institute for Procurement and Supply (CIPS) training for Ethical and Sustainable Procurement. This means that Hackney Council can be listed on the CIPS Corporate Ethical Register.

The Procurement Hub commissioned training from the London Metropolitan University, delivered by a CIPS accredited provider on Sustainable Procurement for all officers of the Council who are engaged in procurement activities. A total of 51 Hackney officers enrolled onto the training. This training was being delivered regularly prior to the pandemic. The Procurement Hub owns the training resources and offers tailored support to suit individual department requirements. Social value is also a key element of one of the suite of Contract Management training modules provided by the London Metropolitan University. Face to face training has ceased since the pandemic, however the Procurement Hub is exploring ways that this could be delivered, to ensure that we maintain our commitment as outlined in Appendix B: Updated Sustainable Procurement Action Plan..

The Council is also developing training to reflect our commitment to tackling Modern Slavery (see section 4.7.5) This is being co-produced with key stakeholders throughout the various departments such as Safeguarding, Strategy and Policy, and HR.

#### 4.4 Hackney Procurement Board / Cabinet Procurement and Insourcing Committee:

Guidance within report templates have been strengthened to assist project officers in identifying benefits, opportunities and risks whilst also considering realistic and appropriate monitoring targets that Members can scrutinise and challenge

As part of the procurement life cycle, there are requirements to submit Business Case reports to the decision making boards based on the value / risk of the projects. These boards are designed to not only make decisions on reports, but to challenge, where there could be potential to draw out more innovative solutions, or where alternative routes have been recommended. The themes of the Sustainable Procurement Strategy are an integral requirement of the Business Case template, and report authors are expected to address the themes in full when presenting their reports to these committees

At the Contract Award stage, there is also a requirement to state the sustainability measures and interventions that have been secured through the tender process,

how they will be achieved through service delivery and monitored as part of the management of the contract.

## 4.5 Procuring for a Better Society

### 4.5.1 Training and Employment Opportunities:

Training and employment opportunities for local people has been one of the main priorities that has delivered achievements through the development of the Strategy. There have been links established with the Council's Employment and Skills team, who have worked alongside procurement teams to build the employment and skills template which bidders can use to submit their plans with their tenders. The template outlines the opportunities that bidders can offer in respect of apprenticeships, internships, training etc; and once a successful bidder has been identified, a plan is devised and discussed through contract mobilisation and then monitored as part of the regular contract management regime.

### 4.5.2 Local Spend:

The Corporate Procurement team actively works with officers to look for ways to increase our local spend. At the outset of procurement projects, officers are requested to consider the size of contracts and assess where local organisations can be used. This has become even more prevalent since the pandemic, as there has been a push to utilise local resources. We are currently working with the Inclusive Economy team to see how we can implement a 'Think Local' policy to encourage procurement processes to look even further at spending local - or within neighbouring boroughs if local suppliers are not available.

Where possible, Council spend has been made through local suppliers as evidenced in the number of local suppliers and spend captured in our analysis of spend reports:

In 2019/20, 23% of Council suppliers were local. This had increased to 24% in 2020/21 and so far, this year 23% of suppliers transacting business with the Council are local suppliers. On average, since 2019/20 - 2020/21, 19.5% of the Council's suppliers have been non-Commercial. It is intended that this is used as a baseline to measure the success of 'Think Local'.

### 4.5.3 SMEs, VCS and Local Suppliers:

Through the implementation of the Strategy we have established liaison with local SMEs, VCS organisations and businesses to ensure that we are actively seeking to include these cohorts of suppliers in our tendering processes. This is prevalent in service contracts which opens up discussions around service delivery models being split into lots for ease of bids for example, a lower requirement for turnover or insurances needed to deliver services.

### 4.5.4 Apprenticeships:

Contracts actively seek to create apprenticeship opportunities for our residents in particular through our supply chain. All contracting expenditures with a threshold of £1M and significant workforce in their delivery are required to deliver a minimum of one apprentice. This is further enhanced by the introduction of the Employment and Skills plan which asks bidders to detail their commitments to a specific number of

apprenticeship opportunities, including supported internships from targeted priority groups.

#### 4.5.5 Local Labour:

Based on the survey of the Council's contracts undertaken for this report, we can see that 14 out of the 64 contracts which we obtained information for, reported that 45 local people are employed. This is an indicative figure as some figures for this outcome were reported as "Not Known", which implies that this figure could be higher.

Through the Employment and Skills Plan initiative, one of the contracts awarded has plans to deliver 2 local labour jobs, 4 apprenticeships, 15 paid work placements and 2 supported internships. We are also working with suppliers of larger contracts retrospectively to determine targets for opportunities for local people.

The Employment and Skills team have been working retrospectively on Council contracts, however some work has been significantly impacted by the pandemic.

## 4.6 Procuring Green

### 4.6.1 Construction, Regeneration and Public Realm:

We continue to specify to the relevant BREEAM standards on refurbishments and new build projects.

Some examples of high quality sustainable outcomes in Construction, Regeneration and Public Realm include projects for school refurbishments including roof insulation which reduces the need for mechanical cooling and LED lighting which reduces energy consumption. Through this specific project, the Council obtained the conservation of energy, water, wood and paper as targets, and this is a contractual obligation for the supplier - in accordance with environmental policies.

The Construction portfolio also looks at historic public buildings in the borough, and sustainability has been optimised through these by reusing the original materials if fit for purpose, to ensure continuity in facade works and minimise waste. Decisions taken to restore buildings by using traditional building methods rather than rebuild, minimises intrusion on the buildings.

Recent Construction projects are piloting work with the Social Value Portal and Social Value Exchange to see which organisation can be used to maximise outcomes, through their involvement in the tendering process, how outcomes can be monitored and utilised for future commissioning and how other Council departments future projects could potentially benefit from work with either of the two suppliers.

### 4.6.2 Recycling and Reusable Materials:

In response to the survey, 8 contracts reported outcomes on recyclable materials, with 2 contracts delivering 100% recyclable materials, notably the Newspaper Printing contract and the Print Production Equipment contract. The Council boasts reusable materials on commodities such as supplies of cleaning equipment, whereby 50% of material is recycled or reusable broom handles or packaging, and Catering



services where the service endeavours to utilize compostable packaging and cardboard as well as recycling food waste.

#### 4.6.3 Energy Efficiency:

Similarly to the above example where energy reduction measures have been put in place through contracting, this has been delivered by other contracts through relocation to premises with the expectation that there will be minimal impact in terms of energy use and the associated emissions, water use and waste generation. We have also received examples of providers who are committed to their environmental pledge to reduce energy consumption across their whole business. Providers have demonstrated a fall in their energy consumption over the past 4 years in terms of gas, electricity and water consumption.

#### 4.6.4 Carbon Reduction:

The delivery of the Sustainable Procurement Strategy also looks at carbon reduction benefits from contracting activities in departments such as Fleet, and Housing and Regeneration. There has been a bigger drive to procure a greener fleet since the Strategy was implemented. Fleet Services currently operate 66 electric vehicles across the Council fleet, and this operation is supported with 47 electric vehicle charging points across 13 Council sites, with 5 charging points at drivers' homes. Approximately 67% of the Council's annual consumed road fuel is renewable biofuel which has saved 835 tonnes of CO<sub>2</sub> throughout 20/21.

Since April 2020, the Councils' electricity contracts have been secured from renewable sources and there are plans to look for more greener options for energy contracts. Procurement activities are also making contributions to tackling poor air quality in the borough as we encourage the purchase of goods that have not been transported over long distances, and work with suppliers to limit the frequency of delivery of purchased goods.

### 4.7 Procuring Fair Delivery

#### 4.7.1 London Living Wage:

Hackney Council is an accredited member of the Living Wage Foundation and prides itself on delivering London Living Wage across all its contracts. This is a stipulation throughout our tender documents, whereby bidders have to confirm whether they pay LLW. Audits are carried out annually across various departments to ensure that suppliers continue to pay staff the London Living Wage set for each year.

#### 4.7.2 Gender pay gap:

This is addressed as part of the tender process, with suppliers being asked to set out how they would ensure that the people employed on the contract are fairly paid with regards to gender and how it would be monitored and reported. Businesses with over 250 employees must provide, on their customer facing websites, detailed data on the pay gap with regards to gender, including the average hourly rate of male employees to female employees, the proportion of male and female workers in different pay bands, and differences in bonuses.

#### 4.7.3 Supply chain diversity:



Through our contracting activities we encourage the creation of opportunities for a diverse supply chain by asking where relevant for tenderers to describe how their organisation would encourage and support representation of under-represented groups including those with protected characteristics and how this is monitored through contract management.

There has been some monitoring in that the We are currently piloting the use of 2 Social Value Portals to help us to monitor outcomes for suppliers if they have contracted them to. This could help us in future to look more closely at diversity in our Employment and Skills Plans.

The Procurement team has embarked on more collaborative working with the Strategy, Policy and Economic Development team to look at the diversity of suppliers, and how we can help to encourage BAME, and Women owned organisations to bid for Council contracts. In the second quarter of 2021, we will be conducting a data cleansing exercise, to enable us to have a better understanding of our suppliers including their ethnicity and industry sector.

#### 4.7.4 Our Commitment to tackling Modern Slavery:

Businesses who contract with Hackney who have an annual turnover of at least £36M are required to show that they have complied with the fundamental requirements of the Modern Slavery Act (2015) or risk facing exclusion at the qualification stage of a tender exercise. This exercise is carried out in addition to existing requirements on equalities and non-discrimination of workforce. Hackney Council also has a Modern Slavery statement which is refreshed annually and published on the Council's website. In this statement, there is a requirement for staff to refer to any suspected case of modern slavery activity to the relevant department.

The Procurement Hub has carried out a high level audit of a sample of the top suppliers based on level of spend, to assess the robustness of their Modern Slavery statements against the CIPS Modern Slavery Statement checker. This exercise has shown that the suppliers, in compliance with the Modern Slavery Act (2015), have statements that are fit for purpose. Sectors where there are Modern Slavery supply chain risks can be identified, using the Heatmap, and captured on the procurement pipeline and MS risk register . Risks are managed through the process of due diligence and the evaluation of tenders by asking prime contractors to demonstrate how they identify, monitor and build resilience against Modern Slavery.

The Procurment Hub is working with other internal stakeholders on the development of Modern Slavery training for procuring officers to raise awareness and to ensure appropriate processes are embeded.

## 5. MONITORING SUSTAINABLE PROCUREMENT OUTCOMES

- 5.1 The first year of implementation was used to put in place necessary structure, tool kits and templates for embedding the Strategy within the organisation. The year was also used for rolling out training programmes for officers and ensuring that we established necessary internal and external links for learning and sharing best

practice. The initial plans for monitoring the success of the policy have not changed and the Corporate Procurement team have continued to:

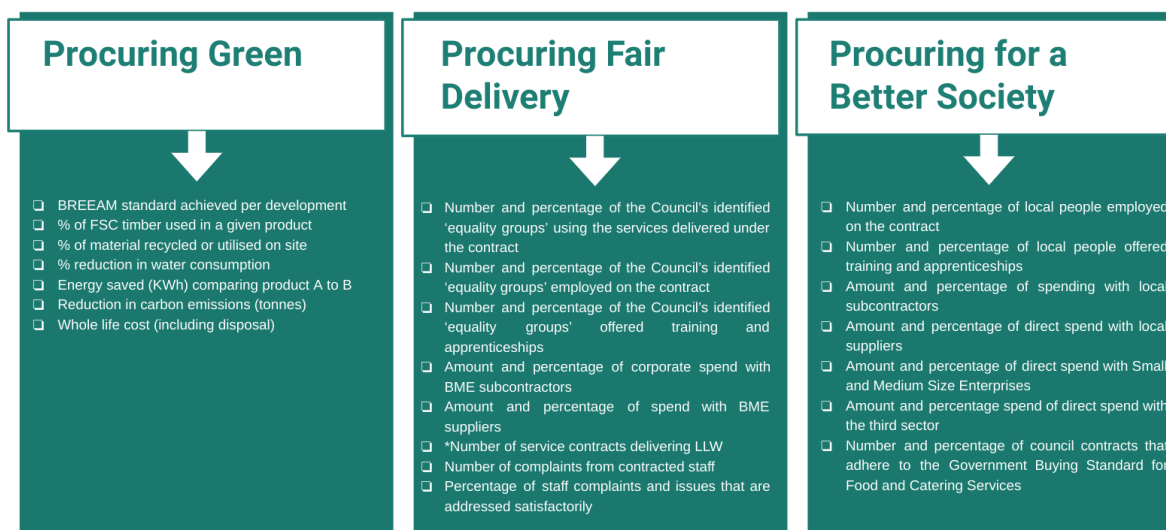
- ❑ Publicise updates to officers across the Council, including procurement professionals, and key stakeholders
- ❑ Regularly update the templates, ensuring they remain compliant and consistent with EU and UK law, Cabinet Office guidance, and commercial best practice Council Standing Orders
- ❑ Annual post-implementation reviews to Cabinet Procurement Committee (CPC)
- ❑ Promoting and sharing outcomes

Although there has been a demonstrated collective push to buy sustainably, 2019/20 has been particularly challenging in that services were stretched when resources were diverted to their Business Continuity Plan delivery, in response to the pandemic. This has put significant pressure on services as some contracted services have had to cease, or deliver in a different way, depending on their nature, with focus being on responding to COVID-specific requirements.

The adverse impact of the pandemic on services was further exacerbated by the Cyber Attack as many of the Council’s services were affected due to the Council’s eDocs filing system being compromised. This system served as a repository for a host of documents, which includes monitoring information, contractual documents as well as reports where sustainability outcomes for contracts would have been recorded. This, alongside the pandemic, was cited as the main reasons for being unable to report on the sustainable outcomes by officers in preparation for this report.

This notwithstanding, the Central Procurement team have managed to secure information on sustainable outcomes for some of the contracts using a combination of measures detailed in this report.

This information was collated using the ProContract system to obtain the correct contract leads, and notifying them of the Council’s key outcomes, headed by the three key areas, as detailed in the Strategy which includes the following:



- 5.2 As part of this exercise, we asked contract managers to provide information on the contracts performance in relation to sustainable procurement outcomes, and included an equalities form, to collate information on the diversity of the workforce on these contracts. We also included a question which allowed contract leads to let us know what suppliers are currently doing to tackle and raise awareness in their supply chains for Modern Slavery.

We sent out a Google form requesting information on outcomes from 234 contracts which were extracted from the Council's contract register. 64 responses were received back from various departments with quality information. The questions asked were designed to capture information in a standardised way and although this worked for the majority of the survey, some contract managers expanded on the outcomes delivered by their suppliers.

We achieved a 27.3% return rate on the survey, and throughout the exercise contacts were made with contract managers who were not able to return information, to offer flexible solutions to obtain the information required. Some of the challenges highlighted for not receiving the information are highlighted above, although we found the main reason for non-response to be the resource pressures in teams, increased and other workloads that have taken priority due to the response to the pandemic, and also the cyber attack. There were multiple issues which stemmed from this including contract managers being unable to attain the information which was previously saved on older Council filing systems. Managers were amenable and where this was a factor, were willing to provide information in various other ways i.e. summaries.

- 5.3 Specific questions were asked around each sustainable delivery area, and these are detailed below, along with any specific responses of outcomes being delivered. We asked contract managers the questions listed in Appendix A: Sustainable Outcomes in Hackney Contracts.

Some of the highlights from this data concludes that over 64 contracts:

- 3 contracts deliver outcomes regarding reductions in CO2 emissions.
- 8 contracts deliver outcomes regarding the disposal of recyclable materials.
- 3 contracts deliver outcomes regarding use of recyclable materials.
- 2 contracts deliver outcomes regarding the use of FSC timber use.
- 95 local people have been offered training opportunities across 6 contracts.
- 12 contracts have offered local people apprenticeship opportunities.
- 2 contracts recording Equalities data across their workforce.
- 19 prime contractors are local to Hackney.
- 57 prime contractors pay London Living Wage.
- 11 Micro businesses delivering contracts for the Council.
- 24 Small / Medium Enterprises delivering contracts for the Council.

It is important to note that whilst the information has been sourced and collated from various departments across the Council, it is not a holistic view.

- 5.4 We are seeking to implement the Contract Management System which will record sustainable outcomes and report in an easier format, so that there can be annual reviews. Where outcomes can be updated due to change of requirements or law, this can be monitored closely.

## **6. CONSIDERATIONS**

### **6.1 Risk Assessment**

The Strategy is set against a background of uncertainty and change. For procurement activities, Brexit and the continuing pressure on public finances are likely to dominate public policy on procurement and will impact on how the Council procures goods, works and services. This is also echoed by the changes in business as usual due to the ongoing COVID19 pandemic, which has forced businesses, especially Council services, to operate in different ways. Through these adverse impacts, we have seen innovation from suppliers who have continued to provide services through the pandemic.

### **6.2 Supply Chain**

Where suppliers have subcontractors and supply chains which impact their services for the Council, there have been proactive approaches to working to improve the priorities mentioned in the Strategy. Examples of this include providing training for subcontractors, and also allowing organisations to access Council-run training for a holistic view - if they work directly on contracts, and ensuring that suppliers and their supply chains where possible, can pay London Living Wage.

### **6.3 Market Risks**

Market risks present where there may be no suppliers available for a specific remit. This has been thought about where we want to include processes around utilising local suppliers. There have been thoughts about what “local” means, and if there is no market base within the Hackney area, how wide would we consider sourcing.

### **6.4 Staff**

Existing and new staff may not have the necessary skills to fully implement the work plan. We have a training plan in place to educate, train and encourage internal procurers and commissioners to review their consumption of goods/services, reduce usage and adopt more environmentally friendly alternative products and communicate the sustainable procurement policy to all staff, suppliers, members and other stakeholders in relevant aspects of Sustainable Procurement. This includes encouraging procurement staff especially to complete the Chartered Institute of Procurement and Supply (CIPS) Ethics training to ensure practice is up to date.

### **6.6 Resources**

Reducing Public Sector budgets as well as resources have presented a challenge in implementing the Strategy. This has resulted in more innovative ways of working, including outsourcing training on Sustainable Procurement, looking at well-known accreditations for the Council’s Procurement staff and creating synergies with other internal and external departments to ensure that we can achieve the agenda and maintain a culture of continuous improvement.

### **6.7 Financial Risks**

There are no direct financial implications for the Council that result from the Sustainable Procurement Strategy as all procurement projects and supporting activities will be delivered within agreed budgets, with ongoing input from the Finance departments. The Sustainable Procurement Strategy has seen benefits arising for potential savings whereby bidders are asked for added value throughout the contract for example savings on staffing costs through the utilisation of volunteers in exchange for accreditations for schemes associated with the service.

## **7. NEXT STEPS**

- 7.1 The lessons learned from our procurement projects and contracts have over the years been shared through the Cabinet Procurement Committee reporting processes and project management settings. The annual reviews of existing contracts allow officers to establish and evolve 'best practice' service standards that can be replicated and improved upon in future procurements and this practice will continue going forward.
- 7.2 In developing the strategy, we have built on previous achievements and not only seek to replicate the high standards attained but to further enhance the delivery of wider community benefits in line with emerging best practice, legislative requirements and our collective ambition to continue to deliver greater benefits to our communities through our contracting activities. This has informed residents, suppliers and other external organisations of our priorities and let them know the standards that the Council expects of its supply chain when delivering services for our residents and customers.
- 7.3 The delivery of the Strategy is supported by Appendix B: Sustainable Procurement Action Plan which commits to supporting the third sector economy, building the capacity of our staff and suppliers and monitoring and measuring our outcomes. The original plan has been updated to reflect the work being undertaken.

Through this, we have identified key areas that we can build on to take forward for the next Sustainable Procurement Strategy update in 2022, which includes closer working with local organisations and businesses. This will also include how we are looking at a diverse supply base and monitoring of this.