

## APPENDIX 1



# City of Westminster Cabinet Report

<b>Meeting or Decision Maker:</b>	Cabinet
<b>Date:</b>	17 February 2022
<b>Classification:</b>	General Release
<b>Title:</b>	Responsible Procurement & Commissioning Strategy
<b>Wards Affected:</b>	All
<b>City for All/Policy Context:</b>	This Strategy seeks to deliver the City for All Strategic Outcomes by providing a framework for supply chain activities.
<b>Cabinet Member/Lead Member:</b>	Cllr Paul Swaddle
<b>Key Decision:</b>	No
<b>Financial Summary:</b>	This Strategy is not associated with any specific financial outlay
<b>Report of:</b>	Gerald Almeroth, Executive Director – Finance & Resources

## 1. Executive Summary

- 1.1 This report presents the new Responsible Procurement and Commissioning (RPC) Strategy for approval.
- 1.2 The strategy is based on four themes, which include areas of local impact and social value, as well as wider aspects related to sustainable development and responsible business:
  - a) Environmental Sustainability
  - b) Community and Business Partnerships
  - c) Build Back Better
  - d) Inclusive, High-Quality Work

- 1.3 Under each of the RPC themes, objectives have been set based on City for All and broader United Nations Sustainable Development Goals. There are 32 objectives in total, eight for each of the four themes. These objectives are underpinned by 32 corresponding policy commitments, which help to communicate our level of ambition clearly both within our organisation, to our communities and to our supply chain. 16 commitments have been prioritised for phase one of the RPC Strategy delivery.
- 1.4 Within the strategy it is proposed that tender scoring for responsible procurement or commissioning is increased from a 5% minimum weighting in supplier evaluation criteria to a minimum of between 10% - 20% weighting depending on the nature of contract. It is proposed that the following themes be specifically addressed wherever relevant:
- Sustainability & innovation (focus on climate emergency, environmental performance, air quality, waste, clean technology)
  - Diversity, inclusion & representation (covering workforce culture as well as spend with minority-led, local SMEs)
  - Social Value in community benefit (sponsorship, resources, volunteering and legacy projects and sharing of skills with small organisations)
  - Social Value in Employment & skills (focus on new jobs and skills for Westminster residents, professional development for and existing supply chain workers, plugging skills gaps and green economy roles)
- 1.5 This report provides the background to the strategy, outlines the approach to deliver the strategy and the strategy governance. This strategy will guide a collaborative effort between the Procurement and Commercial Service, our commissioners, service leads and contract managers, our leadership and our supply chain to deliver more responsible business in Westminster.

## **2. Recommendations**

That Cabinet:

- i. Approves the Responsible Procurement & Commissioning Strategy and the 16 commitments contained in phase 1 of the strategy
- ii. That is adopted as core cross-cutting Council strategy
- iii. That the minimum (overall) percentage weighting for elements of Responsible Procurement and Commissioning is raised from 5% to between 10 and 20%, depending on the nature and the value of the contract.

## **3. Reasons for Decision**

- 3.1 The council spends over £500million each year on third party services and contracts. We have potential to drive positive action on increasingly important issues such as tackling the climate emergency, contributing to local and national recovery, ensuring human and labour rights and greater diversity and

inclusion in our supply chain. It is imperative that we update this strategy now to work with our supply chain to address the climate emergency, improve worker rights and have diverse and inclusive services for Westminster's residents.

- 3.2 This is a cross-council strategy and is designed to provide a framework to support the delivery of:
- City for All, including the new pillar 'Thriving Economy'.
  - Our Climate Emergency carbon reduction targets
  - Our new Diversity and Inclusion Strategy (being developed in parallel)
  - The new bi-borough Modern Slavery Strategy (summarised in appendix 3)
  - Our new Social Value Framework
  - Other Council-wide and departmental strategies, policies and projects

#### **4. Background, including Policy Context**

##### **Developing the strategy**

- 4.1 In April 2020, a new target operating model for the Procurement & Commercial Service was launched with the intention of transforming the Procurement function and driving improvement. This transformation included the recruitment of a Responsible Procurement Lead to:
- Develop a new framework to deliver City for All and wider goals through our procurement and commissioning activities
  - Deliver maximum value for Westminster's community and wider stakeholders.
- 4.2 Since March of this year, the Procurement and Commercial Service has been working with colleagues across the Council to develop a new Responsible Procurement & Commissioning Strategy. The team collaborates regularly with counterparts across London boroughs, particularly the Royal Borough of Kensington & Chelsea to work towards an alignment of our approach and with external subject matter experts on areas of national and global significance to ensure that our ambitions are set within the context of the United Nations Sustainable Development Goals (UN SDGs).

##### **The strategy**

- 4.3 The RPC Strategy, found in appendix 1, aims to deliver a focused and impactful approach to delivering responsible business goals, relevant to departmental service leads and suppliers alike. It seeks to set a clear vision and direction of travel. However, the approach taken will be, in each procurement or commissioning exercise, tailored to the nature and value of the contract, the associated risks and opportunities presented by the project and the particular industry or sector.
- 4.4 The RPC Strategy is based on four themes, which include areas of local impact and social value, as well as wider aspects related to sustainable

development and responsible business: The themes aligned to City for All, though they do not match-up directly:

- **Environmental sustainability** – Includes climate change resilience, air and noise quality, road safety, urban greening and biodiversity. Wider issues tackled will include supplier environmental performance and the reduction of direct and indirect carbon emissions associated with our goods, services and works contracts.
- **Community and business partnerships** – Covers aspects of local interest such as community benefit, legacy projects and spend with diverse supply chains and SMEs, alongside industry collaboration and pilots helping deliver our Smart City agenda.
- **Build back better** – Priority areas for our local community and the UK's economy include recovery from the impacts of the COVID-19 pandemic and employment and training that will help plug skills gaps and promote the green economy.
- **Inclusive, high-quality work** – Includes the pay and conditions associated with employment alongside professional development opportunities, a diverse workplace that is representative of its community, ensuring legal and fair employment and combatting modern slavery and labour rights abuses.

4.5 Under each of the RPC themes, clear objectives have been set based on City for All and broader United Nations SDGs. These Responsible Procurement and Commissioning (RPC) objectives are underpinned by 32 corresponding policy commitments, which help to communicate our level of ambition clearly both within our organisation, to our communities and wider stakeholder and to our supply chain. 16 of these commitments have been prioritised for phase one of the RPC Strategy delivery. Each set of policy commitments is accompanied by a commentary on competition and cost implications in terms of how potential unnecessary cost increases will be mitigated and how levels of competition will be maintained. Where cost premiums for delivery of City for All outcomes are possible, these will be made transparent for decision-makers. How we will deliver against the SDGs is included in appendices of the strategy (see Appendix 2).

### **Supplier Evaluation**

4.6 UK local authorities recognised as leading on this agenda are now attributing 20-30% of total supplier evaluation weighting to responsible procurement and a 10% attribution is now considered standard. The Responsible Procurement and Commissioning Strategy recommends that the minimum (overall) percentage weighting for elements of Responsible Procurement and Commissioning is raised from 5% to between 10 and 20%, depending on the nature and the value of the contract.

4.7 This increase represents the shift deemed necessary to amplify the delivery of our City for All vision, meet pressing carbon reduction targets, respond robustly to societal inequality, set us on the path to Covid recovery and a green economy through increased provision of employment and skills,

improve conditions and opportunities for supply chain workers and increase the benefits offered to our resident and business communities.

4.8 It is recommended that suppliers are evaluated on the following four themes, with theme weightings and the overall RPC weighting dependant on the nature and value of the contract:

- **Sustainability & innovation** – Suppliers' approach to environmental management including air & noise quality, carbon reduction, waste reduction & circular economy, innovation & clean technology, supply chain sustainability and climate resilience & urban greening where relevant. These aspects are currently not assessed as standard.
- **Diversity, inclusion & representation** – Suppliers' approach to creating a diverse and inclusive workforce, professional development to address pay gaps and drive social mobility, addressing pay gaps and imbalances in representation of people with protected characteristics (as listed under the Equality Act 2010), teams and frontline staff delivering services representative of our community and supplier spend with SMEs, local and minority-led businesses and social enterprises. These aspects are currently not assessed as standard.
- **Social value in Employment & skills** - Focused on local and national recovery, suppliers' approach to professional development, motivation and retention of existing staff, and new training and recruitment opportunities to address skills gaps and the green economy. This is included in the 'social value' options set out in our current approach but is such an important element of Covid recovery, addressing skills shortages and unemployment, that officers recommend it should be evaluated separately to community benefit.
- **Social value in Community benefit** – Suppliers' offers of skilled volunteering and pro bono work, contributions of resources and sponsorship and/or involvement in community projects and legacy projects, the latter being particularly relevant to regeneration programmes. These aspects are currently the main focus of responsible procurement in terms of supplier evaluation. The new approach would include evaluation of offers of mentoring, training or Skills support for local entrepreneurs, micro, small & minority-led businesses and social enterprises

4.9 Each procurement strategy for tenders over £100,000, is considered by Commercial Gateway Review Board before going to the relevant Executive Director for approval. For higher risk / value contracts this approval will be in consultation with the linked Cabinet member. The board considers the selection and award criteria, including the split between Quality (including Responsible Procurement) and Price. Considerations will include budget requirements, the size of the market, market capability and what can realistically be achieved. The procurement strategy will justify the elements of Responsible Procurement that have been included and how the market has or will be engaged. Scoring criteria will be created to reduce the risk of subjectivity in tender scoring, evaluating suppliers on the active steps they

propose to take during the contract, when and how these will be achieved and reported on.

- 4.10 Weightings will be decided upon as part of a collaborative exercise between commissioners/ service leads/ contract managers and P&CS and will be determined by the following principles:
- **Contract Value:** Higher value contracts (over £1m) will be eligible for higher weightings of up to 20%.
  - **Risk:** contracts which could pose significant risks will have higher weightings (e.g. high carbon intensity, sectors known for poor treatment of workers).
  - **Nature of the service:** contracts where a high proportion of the spend is on workers as opposed to materials/ intangibles will have a higher weighting.
  - **Links to City for All:** contracts which present the most opportunities relevant to City for All, or of key importance to our communities, will have higher weightings.
  - **Maturity of supply market:** contracts within relatively mature markets where differentiation on RPC elements is possible will have a higher weighting.
  - **Leverage:** contracts where we have high leverage to influence and the potential to form ongoing strategic relationships will have a higher weighting.
- 4.11 Examples: regeneration schemes, highways, parking, waste collection, construction, building repairs and maintenance, soft FM (cleaning, catering, security etc.), IT managed services, other corporate services and a range of larger FPS contracts.
- 4.12 A lower weighting of 10% would be used within procurement exercises where:
- there is little involvement of labour i.e. goods contracts or intangibles such as software, advertising space, licences etc.
  - there is inherent social value (and RPC principles were included in the spec i.e. D&I, staff development etc.) i.e. community outreach/ other health & social care contracts
  - there are inherent environmental benefits (and RPC principles were included in the spec/ contract conditions including environmental and human rights due diligence requirements) e.g. solar panels or electric vehicle charge points
  - that need to be undertaken at pace (which limits the opportunities for ongoing employment & skills or other social value delivery)
  - there is little leverage due to:
    - low competition in the market (e.g. very specialist providers or nationally significant charities)
    - our relative lack of significance as a client i.e. markets with predominantly global players
    - lower value one-off contracts with relatively low market interest
  - The overall % weighting for price is significantly higher than quality

- 4.13 When a provider has been selected, the contract award report will detail what the recommended bidder has committed to in terms of delivery of Responsible Procurement. This section of the report will outline how the elements will be monitored during the contract and whether any specific KPIs have been included in the contract.

### **Implementing the strategy**

- 4.14 Four stand-alone action plans underpin the RPC Strategy, providing detail on the implementation of areas of key political importance and urgency:
- **Climate Emergency** – This action plan was endorsed by the Climate Emergency Delivery Board in May 2021 and progress is reported to the Board monthly as a flagship project. The overarching aim is to reduce the carbon emissions associated with our third party spend. Current work, which will form the basis of our future approach, is focused on baselining our ten highest spend, most carbon intensive contracts, identifying carbon hotspots and working with contractors in partnership to reduce emissions in line with Council targets.
  - **Diversity, Inclusion and Representation** – This plan is comprised of a series of workstreams including the diversification of enterprises that we and our contractors with and work with suppliers on closing pay gaps and improving representation of their workforce at each tier of the organisation.
  - **Social Value** – Our approach to leveraging community benefit and creating impactful legacy projects through social value offers of financial and resource contributions, pro bono and community volunteering and to increasing employment, skills and training opportunities for Westminster residents. It will be delivered through collaboration between Procurement, Legal and Finance teams and GPH's Responsible Economy and Regeneration teams.
  - **Modern Slavery** – The Modern Slavery Action Plan (see Appendix 3), will be developed into the Council's new Modern Slavery Statement after due consultation in January 2022. Work to deliver this action plan is supported by the tri-Borough Modern Slavery and Exploitation Group and underpinned by the bi-Borough Modern Slavery Strategy.
- 4.15 The main activities taking place to implement the RPC Strategy over the next 12 months (phase 1) are summarised below:
- Strategy designed ready for launch [Feb 2022]
  - Supplier event engaging on the Strategy with large and small suppliers [24 Feb 2022]
  - Supplier Code of Conduct - a set of commitments suppliers wishing to bid for opportunities will be asked to sign to tender, tiered according to contract value to ensure proportionality [Mar 2022]
  - RPC Directory - a set of sample supplier evaluation questions, evaluation guidance and associated KPIs based on 50 categories [Mar 2022]
  - RPC website content (internal and external) and update procurement documents [Mar 2022]

- Gather data requirements to enable baseline to be set and assess RPC performance going forward [Mar 2022]
- Complete first phase of internal training to support strategy [Mar 2022]
- Official Strategy Launch [28 March 2022]
- Supplier performance monitored collectively e.g. % spend with SMEs, % Living Wage compliance, % contracts with due diligence integrated included in Contract Management system [Apr 2022]
- First check on delivery of Action Plans [Jun 2022]
- Audit and Performance Committee report on delivery of strategy and highlighting case studies [Autumn 2022]
- Detailed engagement and planning of Phase 2 implementation including involvement from internal leads across departments, external subject matter experts and available guidance [Dec 2022]

4.16 Our success in achieving the RPC policy commitments set out in the RPC Strategy will be measured at three different levels to gain detailed insight, apportion appropriate responsibility, and ensure relevant buy in. This will include:

- **Contract management** – Performance of suppliers at a contractual level in terms of RPC contractual requirements and tender offers e.g., Reduction in CO2 emissions/£ spent
- **Procurement and Commercial Service** – Looking at how well the team leading this strategy is fulfilling its function e.g., % relevant contracts with CO2 emissions reduction criteria integrated, by spend.
- **Wider measures** - Contributions to City for All commitments and pledges, GLA and national targets, will allow demonstration of how we are contributing to the UN SDGs e.g. Scope 3 emissions reduction in FY 2021/22.

4.17 Alongside annual reporting to Audit and Performance Committee, it is proposed that existing working groups/ boards govern and scrutinise our approach and progress on delivering the RPC Strategy:

- Climate Emergency Delivery Board (cross-departmental)
- Bi-borough Modern Slavery & Exploitation Group (multi-agency)
- Diversity & Inclusion Strategic Board (cross-departmental)
- Social Value Board (Jointly-led by P&CS and Responsible Economy)

## 5. Financial Implications

5.1 There are no direct financial implications arising from this report or the recommendations. However, increases in the percentage weighting for responsible procurement could be offset with the commercial assessment. Each tender will be reviewed case by case, with the final weighting for quality, commercials and responsible procurement approved by the Commercial Gateway Review Board, ensuring the Council are receiving the right balance of quality and value for money.



## **6. Legal Implications**

- 6.1 The Council has the power to set the proposed strategy. The Council has express and implied duties to act to the letter of and in the spirit of:
- The Public Services (Social Value) Act 2012 when procuring for the provision of services together with the purchase or hire of goods or the carrying out of works how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area.
  - Modern Day Slavery Act 2015 in terms reporting functions and making sure the supply chain is free of modern slavery
  - Equality Act 2010 to tackle socio-economic inequalities
- 6.2 The proposed strategy seeks to facilitate the Council in meeting these duties and requirements. The Council has undertaken consultation with relevant stakeholders prior to and as part of the setting the proposed strategy.
- 6.3 Legal will work with the procurement team where necessary to update the council's standard service contract terms and conditions, procurement documents and any strategy documents as they pertain to the proposed strategy.

## **7. Consultation**

- 7.1 A comprehensive engagement programme involving staff across the council has taken place to inform and shape the strategy. Procurement Boards across all Directorates have been consulted, as well as some management teams. It featured on Loop Live with follow up information on six 2-hour workshops, which were attended by over 170 staff, tailored for different directorates and categories of spend. These sessions have helped shape the strategy by prioritising key issues and by ensuring the standards we set for suppliers are specific to the service area.
- 7.2 We have engaged wider stakeholders including:
- A presentation to Westminster's Responsible Business Network in August
  - A green construction / 'Meet the Cities' event held jointly with the City of London on 30 September
  - A Responsible Economy led supplier engagement event on 18 November

## **8. Carbon Impact**

- 8.1 This Strategy provides a framework for improvement in the environmental performance of Westminster City Council's supply chain. The four Phase 1 objectives to be delivered under the 'Environmental Sustainability' theme of the Strategy include:
- Increase environmental performance of our suppliers

- Reduce carbon emissions associated with our electricity
- Reduce carbon emissions associated with our purchased goods and services
- Increase interventions to aid climate resilience

8.2 To accelerate the delivery of the third objective, a specific action plan has been developed to reduce the carbon emissions associated with our third party spend. Work is focused on calculating a carbon footprint for each of our ten highest spend, most carbon intensive contracts. This forms the basis of identifying carbon hotspots and working with contractors to reduce emissions in line with Council targets.

## **9. Human Rights Implications**

9.1 This Strategy is designed to improve the Council's approach to mitigating human and labour rights risks in our domestic and global supply chains. Objectives relevant to human rights, which will be delivered under the 'Inclusive, High-Quality Work' theme of the Strategy include:

- Increase monitoring of fair employment & treatment
- Increase due diligence to combat modern slavery
- Increase interventions on ethical global sourcing

9.2 To accelerate the delivery of the second objective, a Modern Slavery Action Plan (see Appendix 3) has been developed. This will turn into the Council's new Modern Slavery Statement after due consultation in January 2022. Work to deliver this action plan is supported by the tri-Borough Modern Slavery and Exploitation Group, underpinned by the bi-Borough Modern Slavery Strategy.

## **10. Energy Measure Implications**

10.1 The implementation of this strategy will include the requirement for contractors to report carbon emissions associated with our contracts to baseline and evidence a continuous reduction of carbon emissions

### **If you have any queries about this Report please contact:**

Natalie Evans, Responsible Procurement Manager, Procurement & Commercial Services [nevans@westminster.gov.uk](mailto:nevans@westminster.gov.uk)

## **APPENDICES**

**Appendix 1** – Responsible Procurement and Commissioning Strategy

**Appendix 2** – UN Sustainable Development Goals

**Appendix 3** – Modern Slavery Action Plan

**BACKGROUND PAPERS:** None