

Local and Social Procurement in the City of Edmonton

Policy Development Considerations

Recommendation

That Administration develop a Social Procurement Policy and return to Executive Committee in the fourth quarter of 2019.

Executive Summary

Openness, fairness and transparency are significant components of good public procurement policy. Public procurement need not be restricted to offering contracts to the lowest bidder. Instead, it can be used as a tool to award contracts by considering metrics beyond price and technical aptitude. The value of procurement should also be evaluated based on the potential effects and benefits of the purchase on the community, families, individuals and the environment - its social value.

This report provides an overview of how the City can leverage existing purchasing power to increase community benefit by incorporating social procurement considerations into current procurement practices. Social procurement can be a powerful driver in achieving meaningful change and the goals of the City's EndPoverty Initiative - providing targeted employment and training for marginalized populations, and leveraging existing purchasing power to increase benefits to the community, including local economic development and environmental benefits.

Administration is pursuing the following activities to further social procurement for Edmonton:

- In collaboration with the EndPoverty Edmonton initiative, pilot a social procurement framework and process with several supported procurement opportunities (estimated completion - Q2 2019).
- Develop a social procurement policy and accompanying procedures for Council approval (estimated completion - Q4 2019). The social procurement policy and its accompanying procedure will include the following components:
 - Council policy and procedures;
 - Social procurement framework and implementation strategy; and
 - Social procurement performance measures and recommended reporting.

Report

Through the Procure to Pay Transformation initiative, the City of Edmonton is adopting industry-leading practices in order to provide better value for money when it contracts goods and services on behalf of Edmontonians. Internal stakeholders as well as not-for-profit and educational institutions have articulated an interest in enhancing the City's procurement practices to incorporate both local and social procurement practices.

At the same time, Administration has also been investigating the potential for establishing Indigenous procurement strategies or practices. While Administration understands Indigenous procurement is an area of priority for Indigenous businesses and communities as well as the City, it is not the focus of this report and will continue to be explored through a separate initiative.

Social Procurement

Social procurement leverages existing purchasing power to increase benefits to the community. These benefits can include developing the local economy, targeting employment or providing training to marginalized people, and enabling positive environmental impacts.

Social procurement adapts current procurement processes within trade agreement obligations to achieve broader public policy goals. The City will continue to purchase goods and services using a competitive and transparent bidding process, and including social impact criteria. By incorporating these criteria during the bid evaluation process, the community will realize value without an additional cost. Social procurement in the form of a Community Benefit Agreement can be an integral element of infrastructure and other major development projects.

The application of social procurement practices has grown steadily over the past three years. Several municipalities across Canada have begun to implement social procurement policies, and some of the initial successes observed by these municipalities include benefits to poverty reduction initiatives, living wage policies and workforce development for at-risk populations.

The City of Edmonton has started to meet with several local non-profit and public organizations to discuss and plan for impacts to the local community that may arise from implementing a social procurement approach. Participants from the non-profit sector and other organizations have articulated a strong desire to see Edmonton implement a social procurement policy, and the consensus from these preliminary discussions is that the City should adapt successful approaches for social procurement

to create its own “Made in Edmonton” solution which meets the specific needs of our community.

Local Procurement

Local procurement is the practice of giving preference to locally-based suppliers over suppliers whose headquarters are located in other markets, whether within Canada or internationally. The City of Edmonton is obligated to adhere to trade agreements negotiated by the Province and, therefore, the City’s ability to adopt local procurement approaches is limited. Currently, the City is obliged to follow the New West Partnership Trade Agreement (NWPTA), the Comprehensive Economic Trade Agreement (CETA), and the Canadian Free Trade Agreement (CFTA).

The City of Edmonton ensures that it meets these obligations by observing thresholds identified in the NWPTA, currently up to \$75,000 for goods and/or services, and up to \$200,000 for construction. These trade agreements prevent the City from prioritizing services offered by local suppliers and encourage fair, transparent and open procurement practices among all signatories of the trade agreement.

Any procurement opportunities above these thresholds must use the City’s established competitive or non-competitive procurement procedures. Competitive procedures require the City to publish opportunities openly and allow all interested suppliers to bid, while non-competitive procedures require the City Manager to approve the chosen supplier for agreements above \$75,000. The City may receive a fine or a reduction in funding from other orders of government if the thresholds identified in relevant trade agreements are not observed.

In 2017, the City of Edmonton contracted local suppliers for 80 percent of low value purchase orders (below \$25,000) and 59 percent of agreements valued above \$25,000, including all contracts related to goods, services, and construction.

Next Steps

Administration is considering how to develop a social procurement policy that will create positive social impact for Edmonton. However, it is important for the City to ensure that social procurement policies are rooted in best practices that can be sustained over the long term. To this end, Administration recommends that the City pursue the development of a social procurement policy instead of developing further policies to support local procurement. A social procurement policy will increase social impact for the greater community and still allow the City to meet trade agreement obligations.

Administration is pursuing the following activities:

- Develop a pilot social procurement framework and procurement process with several supported procurement opportunities in collaboration with the EndPoverty Edmonton initiative (Estimated completion - Q2 2019).
- Develop a social procurement policy and accompanying procedures for Council's approval (Estimated completion - Q4 2019). The delivery of the social procurement policy will include the following deliverables:
 - Council policy and procedures;
 - Social procurement framework and implementation strategy; and
 - Social procurement performance measures and recommended reporting.

Should Council wish to pursue a local procurement policy, Administration recommends establishing a policy that only requires the City to give preference to local suppliers under the trade agreement thresholds of up to \$75,000 for goods and/or services and up to \$200,000 for construction to mitigate the risk of trade agreement noncompliance.

Public Engagement

As part of the process to build an effective Council Policy, Administration will engage stakeholders from the supplier community as well as not-for-profit and educational institutions for their insights and feedback. Public engagement will be conducted through the pilot and in advance of establishing a Council Policy for social procurement.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton has a globally competitive and entrepreneurial business climate			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton is a socially responsible organization that creates social impact through its procurement practices.	TBD	TBD	TBD

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations

Legal/ Regulatory	Changes to trade agreements laws involving the use of social criteria in procurement	2- Unlikely	4 - Severe	8 - Medium	Timely review of updates as trade agreements change by City Administration	TBD
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Others Reviewing this Report

- M. Sturgeon, Acting Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services