

Social Procurement (A. Paquette)

Recommendation

That the January 18, 2021, Financial and Corporate Services report FCS00089, be received for information.

Previous Council/Committee Action

At the September 21/23, 2020, City Council meeting, Councillor A. Paquette made the following inquiry:

Can Administration provide the following information on social procurement:

1. Any known information on how the current social procurement framework results in the City's procurement and purchasing policies prioritizing contractors that are:
 - a. Locally based.
 - b. Provide maximum community benefits to Edmonton's neighbourhoods.
 - c. Contribute to the regional economy.
2. How the social procurement vendor list is being updated and validated and the potential timeline for full implementation of the framework.
3. Any information learned by monitoring the work of other municipalities undertaking similar social procurement and CBA approaches (ex. Wood Buffalo and Toronto).

Executive Summary

Openness, fairness, and transparency are significant components of a well constructed public procurement policy. While public procurement can be restricted to contracts based on price and qualifications, recent practices show that public sector organizations can also consider implementing evaluation criteria beyond the traditional levers of price and qualifications. The value of a procurement should also, to the extent permitted by federal and provincial trade agreements, be evaluated based on the potential positive social impacts the purchase and contract will have.

This report highlights the progress to date in implementing the social procurement framework to leverage a social value from the City's purchases as part of the City's Sustainable Procurement Policy approved in 2019 (C556A). The social procurement framework has four key objectives that have been identified to help achieve social

benefits. The four objectives are: Employment, Skills & Training, Social Value Supply Chain, and Community Development.

Report

Social Procurement

Social procurement is the concept of leveraging a social value from existing purchasing opportunities. A connected community is built not just on economic prosperity, but rather the creation and accumulation of community capital.

The fundamental principle of a social procurement framework is to include social value as a weighted evaluation criteria in procurement activities, to the extent permitted under the trade agreements. Social procurement does not disregard the importance of price, quality and environment, but rather adds social value alongside these evaluated items.

Social Procurement Framework

The Social Procurement Framework (Attachment 1) developed by Administration outlines four objectives to include in the City of Edmonton's procurement processes:

- Employment;
- Skills & Training;
- Social Value Supply Chain; and
- Community Development.

The framework uses the following strategies to achieve the social procurement objectives:

- Social value weighting on purchases;
- Costs kept below trade agreement thresholds;
- Self-service purchasing; and
- Community Benefit Agreements.

These four strategies allow Administration's delegated purchasers the flexibility to select the most appropriate objective for their procurement. To procure in an open, fair, and transparent manner, Administration uses specific achievable and measurable purchase outcomes that support relevant strategic actions to achieve the goals of ConnectEdmonton.

In 2020, Administration prioritized contractors who are locally based by utilizing appropriate trade agreement exceptions, or by endeavouring to award contracts that are valued below the New West Partnership Trade Agreement thresholds (\$75,000 for Goods, \$75,000 for Services or \$200,000 for Construction) to local suppliers.

However, under the applicable trade agreements, many of the exceptions used by the Administration explicitly do not permit using exceptions in order to favour Alberta suppliers. Therefore, the ability to prefer local suppliers under the trade agreements are limited.

From January 1, to June 30, 2020, Administration awarded 54 contracts (56 percent of all contracts over \$75,000), each valued at over \$75,000, to local suppliers with a total value of \$346,228,887 (60 percent of all contracts over \$75,000); however, to remain compliant with the trade agreements, the City is only able to give preference to local suppliers in limited circumstances (e.g. The Canada-European Union Comprehensive Economic and Trade Agreement).

During the COVID-19 pandemic, Administration prioritized goods and services from local suppliers whenever possible. While local suppliers generally hire a local workforce, Administration encourages non-local suppliers to hire local subcontractors or contribute to the regional economy through other methods to the extent permitted by the trade agreements. Administration is unable to quantify contribution to the regional economy at the present time due to unavailability of current, reportable data.

To identify organizations that are going above and beyond their competitors in providing increased social benefits, Administration is using the social procurement framework, where appropriate, to assist in consideration of suppliers who identify social benefits in their proposals. As of November 2020, 10 procurement projects (two capital and eight operational) had tangible and detailed social benefits brought forward by the winning suppliers. Some examples include:

- Four custodial contracts awarded included a living wage requirements;
- The LRT Valley Line West project included a community benefit agreement requirement as mandated by the grant agreement; and
- A single-source waste sorting contract was awarded to a local non-for-profit organization.

Administration is monitoring the progress of the outlined social benefits to ensure they are realized.

Social Procurement Supplier List

Given that a vast array of goods and services are required by the City, and the large number of potential suppliers, significant staff time would be required to maintain an accurate and up-to-date list of suppliers that are able to provide goods and services to the City.

In addition, trade agreements which the City is obligated to follow do not permit the use of preferred supplier lists for City goods, services and construction where a

competitive procurement process has not been conducted, if used for procurements covered by the trade agreements. The Canadian Free Trade Agreement and the Comprehensive and Economic Trade Agreement also prohibit the adoption of qualification/registration systems or procedures that create unnecessary obstacles to the suppliers of the other parties to the trade agreements.

For low-value purchases (under \$75,000 per purchase), City staff use current or known suppliers and search locally for suppliers who offer the products and services that meet requirements.

Social Procurement Implementation Timeline

Administration has strengthened social value understanding among City staff through multiple training and information sessions held in Q2 2020. Recently developed social procurement measures, along with tracking processes, will assist City staff in building in social procurement criteria into future procurement opportunities by April 2021.

Updates from other Municipalities

The City actively participates in multiple public sector procurement networks where major information and achievements are shared amongst members. Due to the COVID-19 pandemic, all municipalities are managing competing demands with limited resources. No white papers or research have been published on social procurement advancement in 2020 based on Administration's best knowledge. Other implementations of social procurement type policies across Canada are also still in their early stages, and learning or results from them are not available yet. Administration will continue discussions with other municipalities to advance social procurement practices wherever possible to refine its own practices.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Regional Prosperity			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton has a diverse and prosperous economy that thrives locally and globally	Percentage of competitive procurements that include social value weighted criteria	TBD	50% (Q4 2020)

Attachments

1. Social Procurement Framework

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- K. Armstrong, Deputy City Manager, Employee Services
- R. Smyth, Deputy City Manager, Citizen Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor