

CABINET MEETING: 16 MARCH 2017

**PROCUREMENT STRATEGY 2017-2020 (DELIVERING
COMMERCIAL AND SOCIAL VALUE) AND CODE OF PRACTICE
– ETHICAL EMPLOYMENT IN SUPPLY CHAINS**

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

AGENDA ITEM: 5

**PORTFOLIO: CORPORATE SERVICES & PERFORMANCE (COUNCILLOR
GRAHAM HINCHEY)**

Reason for this Report

1. To obtain Cabinet approval for the adoption of the Procurement Strategy 2017-2020 and to be an early signatory to the Welsh Government's Code of Practice for Ethical Employment in Supply Chains (Appendix 4)

Background

2. The Council delivers its services directly through its own workforce, and through private and third sector organisations. The Council spends over £380 million a year procuring a diverse range of goods, services and works from over 9,000 suppliers and contractors.
3. The Council has a responsibility to manage public money with probity, to ensure that value for money is achieved and to manage it in such a way that we can support wider Council objectives. This Strategy sets out the Council's key procurement priorities through to 2020 and the key changes that it will make to improve the management of its external spend on goods, services and works.
4. The Strategy builds on the previous Commissioning and Procurement Strategy that established an ambitious programme to transform procurement in the Council through the adoption of category management to deliver cashable savings and improve procurement performance across the Council. Key successes in delivering the previous Strategy include:

- The successful implementation of category management across all of the Council's third-party spend including traditionally hard to reach areas such as social care.
- The delivery of £18 million of procurement related savings through a combination of demand and supply side strategies with more than £12 million directly linked to general fund budget savings.
- An increase in spend under management to more than 90% through our Buying Responsibly initiative.
- Improved efficiency of the ordering and payments process by removing around 200,000 paper invoices.
- Being classified in the KPMG Procurement Fitness Check as “Developing to Advanced” overall and “Advanced” for Procurement Leadership and Governance, Procurement Strategy and Objectives, and Performance Management.
- Winners of Procurement awards at a both UK and Welsh level.

Issues

5. The Procurement Strategy 2017-2020 is focused on the delivery of four broad over-arching Organisational Outcomes:
 - Maximising Economic, Social, Environmental and Cultural Wellbeing
 - Achieving Value for Money and Efficiency
 - Driving Innovation
 - Maintaining Effective Governance and Risk Management
6. The strategy been informed by the Council's Corporate Plan, the City's What Matters Strategy and Welsh Government and UK legislation and policy including the Wales Procurement Policy Statement and the Wellbeing of Future Generations Wales Act.
7. In particular, the Strategy places an increased emphasis on the delivery of Economic, Social and Environmental wellbeing. This includes a commitment to the delivery of community benefits, including increasing employment, training and apprenticeship opportunities which aligns with the work being progressed in respect of the Council's own workforce. To support this the Council has established a Community Benefits Board to co-ordinate delivery and ensure that priorities such as the Child's Rights Partner programme are supported.
8. In addition, the Community Benefits Board will oversee the development and implementation of a wider Social Responsibility Policy and Charter, which will promote fair work practices including payment of the Living Wage across our suppliers and contractors.
9. To support this, this report also seeks approval for the Council to sign up to the Code of Practice – Ethical Employment in Supply Chains which is attached at Appendix 4 and is scheduled for launch on 9th March 2017. The Welsh Government intends that all public sector organisations, businesses and third sector organisations in receipt of Welsh public

sector funding will be expected to sign up to this Code of Practice. Other organisations operating in Wales from any sector are encouraged to adopt the Code.

10. The Code has 12 commitments and is designed to ensure that workers in public sector supply chains are employed ethically and in compliance with both the letter and spirit of UK, EU, and international laws. The Code covers the following employment issues:
 - Modern Slavery and human rights abuses;
 - Blacklisting;
 - False self-employment;
 - Unfair use of umbrella schemes and zero hours contracts; and
 - Paying the Living Wage.
11. The delivery of this Procurement Strategy will be managed through a Delivery Plan with progress reported on an annual basis using a Balanced Scorecard based on the key organisational priorities. The Delivery Plan will include detailed actions and KPIs.
12. The Strategy was circulated to members of the Policy Review and Performance Scrutiny (PRAP) Committee for comments on 31st January 2017 and a couple of clarification points have been raised which will be discussed at a PRAP Scrutiny Briefing on 14th March 2017.

Reason for Recommendations

13. Approval of the Procurement Strategy 2017-2020 will establish the Council's key procurement priorities through to 2020 and the key changes that it will need make to improve the management of its external spend on goods, services and works.
14. To gain Cabinet approval to be an early signatory of the Code of Practice – Ethical Employment in Supply Chains.

Financial Implications

15. The Procurement Strategy is essential not just in providing a strategic direction and framework for the Council's procurement arrangements but in terms of securing value for money and will continue to support directorate savings from the Council's external spend of over £380 million..

Legal Implications

16. The Procurement Strategy is an important document setting out the procurement practices and actions the Council will take in respect of its procurements. Implementation of the strategy will require legal resource, both in terms of (i) legal advice on individual procurements and (ii) developing templates to facilitate the greater use of e procurement and supporting the use of e procurement.

17. Controls over procurement and the authority's contracting processes stem from both domestic law and from the law of the European Union. Further, policy statements have been issued by Welsh Government setting out the procurement practices and the specific actions required of every public sector organisation in Wales (see Wales Procurement Policy Statement ('WPPS') referred to in the attached Strategy)
18. **The Well-Being of Future Generations (Wales) Act 2015** places a well-being duty on public sector bodies to take action to achieve 7 well-being goals in accordance with the 'sustainable development principle'. The 7 well-being goals are: "a prosperous Wales", "a resilient Wales", "a healthier Wales", "a more equal Wales", "a Wales of cohesive communities", "a Wales of vibrant culture and thriving Welsh language" and "a globally responsible Wales"; and a description of each goal is given in the Act. Decision makers should consider how the proposed decision may contribute towards, or impact upon, achievement of the well-being goals.
19. In terms of the procurement the WPPS providing, 'we must continue to look toward our future generations and deliver more sustainable outcomes from our procurements so that our expenditure can help achieve the seven well-being goals for Wales set out in the Act'
20. The Council must set well-being objectives to achieve the well-being goals and publish these objectives by 31st March 2017. Once the Council's well-being objectives have been set, decision makers must have regard to the same, and must be satisfied that all reasonable steps have been taken to meet those objectives. In order to comply with the well-being duty, the Council must act in accordance with the 'sustainable development principle', which is defined as meaning that the Council must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take into account the impact of their decisions on people living their lives in Wales in the future. There are a number of factors which the Council must take into account in this regard, specifically, decision makers must:
 - Look to the long term
 - Focus on prevention by understanding the root causes of problems
 - Deliver an integrated approach to achieving the 7 well-being goals
 - Work in collaboration with others to find shared sustainable solutions
 - Involve people from all sections of the community in the decisions which affect them
21. In considering the above, due regard must be given to the Statutory Guidance issued by the Welsh Ministers.

Equality Duty

The Council has to satisfy its public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties) – the Public Sector

Equality Duties (PSED). These duties require the Council to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of 'protected characteristics'. The 'Protected characteristics' are:

- Age
- Gender reassignment
- Sex
- Race – including ethnic or national origin, colour or nationality
- Disability
- Pregnancy and maternity
- Marriage and civil partnership
- Sexual orientation
- Religion or belief – including lack of belief

22. An Equality Impact Assessment ('EIA') has been carried out in respect of the strategy (copy annexed to the report), to assist the decision maker to understand the potential impacts of the proposals in terms of equality. Regard should be had to the EIA
23. The Code of Practice makes it clear that the Welsh Government has a strong expectation that all Welsh local authorities will sign it. There is however no legal obligation to do so. Local authorities can choose whether to sign.

HR Implications

24. There are no direct HR implications arising from this report. However, employees who are involved in buying / procurement and the recruitment and deployment of workers need to be trained in modern slavery and ethical employment practices.
25. The Code indicates that organisations who sign up to it will need to produce a written policy on ethical employment and the Council's Recruitment and Selection Policy covers the requirements of the Code. Commissioning and Procurement will need to develop a similar policy for the supply chain.
26. In signing up to the Code, the Council would be expected to produce an annual written statement outlining the steps taken during the financial year to ensure that slavery and human trafficking are not taking place in any part of the Council and its supply chains. It is suggested that this statement is produced by Commissioning and Procurement with input from HR People Services.

RECOMMENDATIONS

Cabinet is recommended to:

1. Approve the Procurement Strategy 2017-2020 (attached at Appendix 1).

2. Approve the signing of the Welsh Government's Code of Practice – Ethical Employment in Supply Chains.
3. Agree that the Cabinet Member for Corporate Services and Performance be appointed as the Council's Anti-Slavery and Ethical Employment Champion

CHRISTINE SALTER

Corporate Director

10 March 2017

The following appendices are attached:

Appendix 1 – Procurement Strategy 2017-2020

Appendix 2 – EIA for Procurement Strategy 2017-2020

Appendix 3 – Code of Practice – Ethical Employment in Supply Chains Briefing Paper

Appendix 4 - Code of Practice – Ethical Employment in Supply Chains.(March 2017)