



City of
Peterborough

To: Members of the General Committee

From: Richard Freymond
Commissioner of Corporate and Legislative Services

Meeting Date: March 9, 2020

Subject: Report CLSFS20-019
Social Procurement and Social Enterprise

Purpose

A report to provide background information to Council on Social Procurement and Social Enterprises as well as the potential next steps for the City of Peterborough to implement Social Procurement.

Recommendation

That Council approve the recommendation outlined in Report CLSFS20-019 dated March 9, 2020 of the Commissioner of Corporate and Legislative Services, as follows:

That Report CLSFS20-019 Social Procurement and Social Enterprise be received for information.

Budget and Financial Implications

There are no budget and financial implications of receiving the report for information.

If Council directs staff to pursue implementing social procurement, there will be costs initially to engage a consultant to assist in developing a framework and implementation strategy. To embed social procurement within the overall procurement framework at the City will require ongoing staff resources.

Background

At its meeting of July 8, 2019 Council requested:

That staff prepare a report for Council by the end of the first quarter of 2020 providing background information on social procurement policies as well as the potential next steps for the City of Peterborough to incorporate said policies.

At its meeting of July 22, 2019, Council requested:

That staff provide information on social enterprises to Council by email.

At its meeting of October 7, 2019, Council requested:

That staff include social enterprise content in the 2020 social procurement report.

This report is prepared in response to these Council requests.

Social Procurement

Social procurement refers to practices where an organization's regular purchasing processes are leveraged to achieve social value, such as encouraging economic development, providing local employment opportunities and/or reducing poverty.

This can be done by inviting contractors to advance community social and economic growth as a component of procurement evaluations, thereby blending financial and social considerations in public sector purchasing to deliver a commitment to purchasing the best value services and products and a commitment to leverage limited public resources to achieve strategic community outcomes. An area where this generally has the most impact is in service categories such as catering, couriers, groundskeeping, janitorial services and office supplies.

Social Enterprise

A Social Enterprise is defined as an organization that uses business strategies to maximize revenue and social or environmental impact. Social Enterprises have a positive effect on communities in various ways, such as by creating jobs, promoting local food, empowering the most vulnerable residents and/or reducing poverty. Social Enterprises seek to balance activities that provide financial benefits to themselves with social goals, such as providing housing to low-income families or job training.

Social Procurement in Canada

Procurement in Canada must be conducted in compliance with the Canadian Free Trade Agreement (CFTA) and Canadian European Trade Agreement (CETA). These trade agreements have financial thresholds governing types of purchases for goods, services

and construction, in order to protect fairness and transparency but which restrict a municipality's ability to apply social procurement practices. For municipalities, CETA

governs procurement over \$366,200 for goods and services and \$9,000,000 for construction and CFTA governs procurement over \$105,700 for goods or services and \$264,200 for construction. CFTA includes an exemption which allows for contracts under \$200,000 to proceed to market in a way that specifically targets poverty reduction. CETA and CFTA both include a minimum threshold of \$25,000, below which procurement may bypass a competitive procurement process. These aspects of the trade treaties provide opportunities for social procurement.

Social Procurement in Western Provinces

Currently, Social Procurement is more prominent in the Western provinces of Canada in large metropolitan areas, such as Vancouver and Calgary, and in small towns, such as Tofino and the Town of Qualicum Beach, British Columbia.

In late 2018, the City of Calgary adopted in principle, a social procurement policy and strategy to utilize the City's existing procurement to create local social, economic and environmental value. The key local economic and social issues that this policy focuses on include:

- increased access to City contracts for more diverse and socially inclusive small- and medium-sized business sector,
- greater economic opportunities for marginalized groups in Calgary; and,
- increased employment and career development opportunities for marginalized community members.

Calgary plans to implement the City's Social Procurement Strategy over three years beginning in 2019. Over the three years, staff working with an advisory task force and a consultant, plan to develop a workplan, framework, objectives and outcome measurements, as well as conducting pilot projects and evaluating the results. At the end of the three-year period, staff plan to update the procurement policy and procedures based on the results of the pilots and report the outcome to Council.

Social Procurement in Ontario

Social Procurement is relatively new for municipalities in Ontario. Only two have pursued implementing aspects of Social Procurement to date - the City of Toronto and the City of Hamilton.

The City of Toronto adopted a Social Procurement Framework in 2013. This framework directed staff to investigate how to alleviate economic disadvantage by embedding supply chain diversity and workforce development in the City's procurement process. Over an 18-month process, staff led nine pilot projects to determine how best to (a) diversify the

City's supply chain; and (b) how to use City procurement projects to leverage employment and training opportunities for people experiencing economic disadvantage.

Throughout 2014, 2015 and 2016, City of Toronto staff explored options for amending the City procurement process and policy to encourage hiring of people from Indigenous communities and youth and reduce poverty. One example of this, was the implementation of various programs to provide vulnerable youth with job-readiness coaching, pre-apprenticeship skills training, and access to employment opportunities to support youth to be ready for City procurement projects and once on the job, continue to work with them to ensure job stability was maintained. This pilot program and other initiatives were at least partially funded through the City of Toronto operating budget with some funding received from grants. In 2016, City of Toronto Council approved a permanent position dedicated to implementation of the City of Toronto Social Procurement Program, funded by the operating budget. The City also created a temporary position over a two-year period, to engage the broader public sector community in activities that support social procurement principles and practices, funded by a grant.

The City of Toronto learned four key things from their pilot projects:

1. Need for clear guidelines and an enabling policy environment

The most successful pilots were those where social procurement requirements could be clearly identified early in the planning process allowing project managers to understand and become comfortable with the expectations for social procurement and ensure components of the project could provide meaningful opportunities.

2. Need for tools, guides and support systems

The pilot process identified gaps in knowledge and support structures that limited what could be achieved, for example some diverse suppliers were not aware of what the City purchases or how to do business with the City. As a result of these knowledge gaps, much of the work in the pilot stage was spent educating stakeholders on what social procurement means in a public sector context, entering into partnerships with supplier certification bodies, creating template contract language, developing workforce development models, and understanding the limitations of the existing supply chain management system.

3. Need for dedicated internal staff training and support

The social procurement development team provided support to divisions throughout the pilot projects. Training of staff in understanding social procurement was found to be important to implement and sustain social procurement activities. It was determined that dedicated staff within the Purchasing and Materials Management Department, would be required to successfully steward social procurement for all City divisions.

4. Need for supplier and community capacity building and outreach

Effective social procurement requires that City procurement opportunities are aligned with the kinds of resources that community agencies and suppliers can

supply. This requires that community agencies and supplier organizations have advance notice of what City divisions plan to procure so that they can develop appropriate programs to do business with the City. Without this kind of matching and alignment, it will be difficult to connect residents and businesses with appropriate City social procurement opportunities.

The City of Hamilton began investigating social procurement in September 2018 by hiring a consultant to outline what would be necessary to implement a Social Procurement Framework and helping staff to develop the details of the Framework. The goal of the City of Hamilton's program is to help their community be self-sufficient and depend less on the Ontario Social Assistance system. In this pilot process, City staff contacted connector organizations, including the local YWCA and New Canadians Centre, to identify the barriers to secure employment. Throughout 2018 and 2019, the City of Hamilton issued eight Request for Proposals with social procurement criteria focused on service type projects. In moving forward with social procurement, Hamilton staff have chosen not to implement changes to the City's procurement policy yet and are still in the pilot program phase until they can determine if this strategy would be sustainable long-term.

Social Procurement at the City of Peterborough

The City of Peterborough procurement processes are conducted within the requirements of the **Municipal Act, 2001** and the trade treaties, and do not expressly include any aspects of social procurement. However, in reviewing the City's current practices, staff have determined that the City has been achieving some aspects of social procurement.

City Procurement By-Law 18-084 allows purchases below \$10,000 to be made without any procurement processes, such as three quotes or a competitive RFP or tender process. In 2018 and 2019, approximately 45% of these types of purchases, \$9.8 million combined, were spent within the City and County of Peterborough, contributing to the local economy and employment. These purchases included goods and services such as office and program supplies, catering, facility repairs and maintenance supplies and services.

These purchases provide benefits to the local economy and are not a violation of trade agreements regarding local preference as outlined in the Canadian trade agreements, as these purchases are permitted to be made locally as they are below \$10,000 and thus the trade agreements do not apply.

Staff will continue to monitor what other local governments are doing in relation to social procurement, as well as investigate other opportunities that may result in procurement savings as staff are cognizant that value for taxpayers' dollars must be maximized.

Alternative Next Steps

Implementing social procurement at the City of Peterborough would require additional resources dedicated to developing a social procurement framework, developing and conducting pilot projects to apply the framework to procurements, engaging with connector organizations in the community and assess opportunities and barriers.

If Council decides to direct staff to pursue implementing social procurement at the City of Peterborough, the following recommendations would be appropriate:

- a) That a budget be established in the amount of \$100,000 and that staff be directed to hire a consultant to assist with development of a Social Procurement Framework and an implementation strategy, and that the work be funded with a contribution from the Capital Levy Reserve; and
- b) That staff report back to Council at the completion of the work by the consultant on the progress to date and future next steps including necessary staffing resources to move the initiative forward.

Summary

Social Procurement refers to regular purchasing processes that are adapted to achieve a social value, such as providing local employment opportunities. A Social Enterprise is an organization that uses its business strategies to maximize revenue and social impact. Social Procurement is a relatively new endeavor for municipalities in Ontario. Based on lessons learned by other municipalities in their implementation of social procurement, if Council decides to move forward with this initiative in the City of Peterborough, it will require dedicated staff resources working with a consultant to develop a framework, pilot project and implementation strategy.

Submitted by,

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