**APPENDIX 3**




# Scan of Municipal Social Procurement Practices

PREPARED FOR THE CITY OF WINNIPEG

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# Scan of Municipal Social Procurement Practices

## Executive Summary

The purpose of this report is to provide Winnipeg Public Service with an overview of the social procurement practices of Canadian municipalities as per the Council Motion passed December 17, 2020 so that the City can adopt a strategy and plan for increasing the positive sustainable and social impacts of its procurement activities. The report is based on interviews with 10 municipalities: Brampton, Calgary, Edmonton, Halifax, Ottawa, Regina, Region of Peel, Surrey, Toronto, and Victoria; and desk-top research on many others across the country.

### *Sustainable Procurement and Why Municipalities are Practicing it*

Canadian municipalities spend billions of dollars annually on goods, services, and construction. Every dollar spent has social, environmental, and economic impacts—both positive and negative. Achieving value-for-money places the onus on public sector organizations to maximize positive benefits and minimize adverse effects. To meet this challenge, municipalities of all sizes are adopting sustainable procurement programs. Sustainable procurement means getting best value for an organization over the total life of a good or service, while seeking opportunities that add social and environmental value.

While every organization has different sustainability priorities, the most effective sustainable procurement programs address risks and opportunities in four pillars: environmental, social, Indigenous, and ethical. Like many other private and public sector organizations, municipalities started with a focus on environmental and ethical procurement, but they are increasingly activating the social and Indigenous pillars to achieve social policy objectives. The past five years has seen an explosion in social procurement activity in the municipal sector.

### *How Municipalities are Achieving Social Value in Procurement*

The study found that municipalities are leveraging procurement to generate social value outcomes in the following ways and provides examples from across Canada in Appendix 1:

1. adopting tactics to increase their spend with diverse businesses and social enterprises, an approach often termed Supplier Diversity.
2. inserting social value clauses into solicitations.
3. requiring community benefits in large scale projects.
4. requiring contractors to pay a living or fair wage.
5. exploring indigenous procurement opportunities.

### *The Cost Implications of Social Procurement*

When it comes to measuring specific costs related to social procurement, data is limited due to the recent emergence of the practice, and the fact that most procurement teams in Canada are poorly resourced when it comes to systems for tracking suppliers and contracts. There are no Canadian cost-benefit studies available on social procurement practices to draw on. None of the municipalities contacted in this study described seeing any measurable increases in the comparative costs of contracts due to social procurement. Nor did they indicate that they are expecting

costs to rise. They report that social procurement can be implemented so that social value requirements are calibrated to the capacity of the marketplace and suppliers can respond competitively.

While contract costs do not appear to be significantly affected, there are staff and financial costs associated with implementing social procurement. Many municipalities find that to build a good sustainable procurement program, they need additional staff and/or financial resources. Municipalities are addressing resource issues by hiring dedicated staff and/or consulting resources.

### *Conclusions & Recommendations*

The research found that municipalities are adopting social procurement practices at all levels of spend from low value P-Card purchases to invitational bids, to large multi-million-dollar construction projects. Where cities are requiring community benefits, it is for larger projects with bid values of $5M or higher. Winnipeg already has the foundations of a comprehensive sustainable procurement program that can address risks and opportunities in any of the pillars and, also give emphasis to those pillars that may feel like immediate priorities, eg. social or Indigenous. The report recommends that City of Winnipeg:

1. Continue to build a comprehensive approach to sustainable procurement that addresses significant risks and opportunities that could emerge in any of the four sustainable procurement pillars: environmental, ethical, social, and Indigenous.
2. Define specific social and Indigenous goals within the overarching sustainable procurement program (see #5 below)
3. Designate specific staff and financial resources to build out the social and Indigenous components of the sustainable procurement program while continuing to advance environmental and ethical priorities.
4. Engage key stakeholders to refine the implementation approach for the program and to build understanding and buy-in. *Internal*: expand the internal sustainable procurement working group to include departments key to activating social and Indigenous opportunities. *External*: develop terms of reference for an external advisory group made up of industry, community intermediaries, small business, Indigenous business, Chambers of Commerce, and social enterprise representatives to provide input and feedback.
5. Develop a Sustainable Procurement appendix for the Administrative Standard FM-002 to define priorities in the four pillars. The appendix could include definitions, priorities, and thresholds (such as the bid value for community benefits).
6. Identify a target list of high-impact procurement opportunities (HIPOs) to pilot different sustainable and social procurement mechanisms, such as low-value P-Card purchases, set-asides for Indigenous businesses and social enterprises, social value clauses in RFPs, or community benefit requirements in a large construction project.
7. Develop procedures and tools to provide practical guidance to purchasing staff and business units on how to incorporate social and Indigenous priorities into the procurement process.
8. Initiate 5 pilots in 2021 within the HIPO categories and monitor results.
9. Develop a communication and training program for procurement staff, buying groups, individual buyers, business units, and suppliers to share expectations and highlight success stories.
10. Report Back to Council on program development milestones and program successes as appropriate.

# Scan of Municipal Social Procurement Practices

## 1. Purpose

The purpose of this report is to provide Winnipeg Public Service with an overview of the social procurement practices of Canadian municipalities as per the Council Motion passed December 17, 2020 so that the City can adopt a strategy and plan for increasing the positive sustainable and social impacts of its procurement activities.

Reeve Consulting and City of Winnipeg interviewed ten municipalities for this study: Brampton, Calgary, Edmonton, Halifax, Ottawa, Regina, Region of Peel, Surrey, Toronto, and Victoria; and conducted desk-top research on what other municipalities across Canada are doing.

This report addresses:

1. What sustainable procurement is and why municipalities are practicing it
2. How municipalities are achieving social value in procurement
3. The costs implications of social procurement
4. Conclusions and recommendations
5. Examples of what municipalities are doing (Appendix 1)

## 2. What is Sustainable Procurement and Why are Municipalities Practicing it?

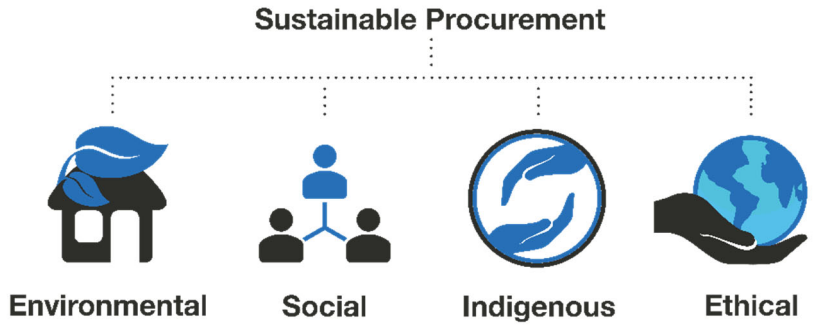
Canadian municipalities spend billions of dollars annually on goods, services, and construction. Every dollar spent has social, environmental, and economic impacts—both positive and negative. Achieving value-for-money places the onus on public sector organizations to maximize positive benefits and minimize adverse effects. To meet this challenge, municipalities of all sizes are adopting sustainable procurement programs.

Sustainable procurement is the practice of embedding relevant sustainability considerations into the selection of goods and services, along with traditional factors such as price, quality, service, and other functional specifications. Sustainable procurement means getting best value for an organization over the total life of a good or service, while seeking opportunities that add social and environmental value.




In Canada, public and private sector organizations are addressing a variety of issue areas in sustainable procurement. Each institution prioritizes different areas of interest and organizes their

sustainable procurement portfolio accordingly. While every organization will have different sustainability priorities, the most effective sustainable procurement programs address risks and opportunities in four pillars: environmental, social, Indigenous, and ethical.




**Environmental.** Procurement considers the environmental attributes of a product/service to mitigate environmental impacts such as Green House Gas (GHG) emissions, energy consumption, waste generation, toxicity, or excessive resource use.

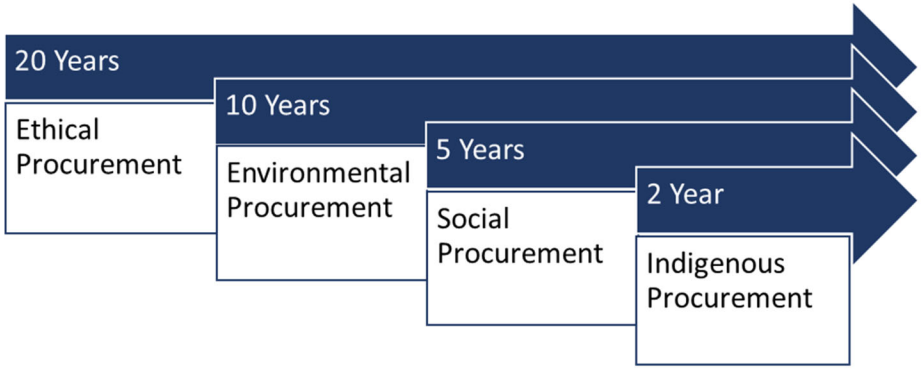
**Social**. Procurement promotes local economic development, opportunities for historically disadvantaged groups, social enterprises, supplier diversity, living wage, local food and other measures that improve the health and well-being of individuals and communities.

**Indigenous.** In the spirit of Truth and Reconciliation, Procurement considers Indigenous economic development and looks for ways to engage Indigenous businesses and communities in the purchasing process.

**Ethical.** Procurement avoids sweatshop labour and ensures fair labour practices within production facilities throughout the global supply chain; often supported by a Supplier Code of Conduct.

## 2.1.Shifting Emphasis towards Social and Indigenous Procurement

In both the public and private sectors, these areas of focus have evolved over the last twenty years as priorities in sustainable procurement have shifted. Historically, sustainable procurement has focused on the environmental attributes of a purchase, or on ethical labour standards in the global supply chain. However, in the last five years there has been a shift toward the inclusion of social procurement and more recently a renewed interest in Indigenous procurement, alongside environmental objectives resulting in a more comprehensive sustainable procurement program. This trend is reflected in the municipal sector.




While municipalities started out focussing on ethical and environmental risks and opportunities, they are increasingly activating social procurement and Indigenous procurement opportunities to achieve their social policy objectives.

### 2.2. Explosion in Social Procurement Activity

In the past five years, there has been an explosion in social procurement activity in the sector as City Councils and municipal staff seek to leverage procurement to generate positive social impacts in the community in addition to other sustainability priorities. Here are some examples:

- ☑ 2015. Cumberland adopted the first Social Procurement Framework in Canada.
- ☑ 2017. Toronto launched a Social Procurement Policy & Program focussing on Supplier Diversity and Workforce Development.
- ☑ 2018. Calgary initiated a 3-year pilot to develop a benefit driven procurement (BDP) program.
- ☑ 2018. Coastal Communities Social Procurement Initiative launched to help local governments and First Nations on Vancouver Island and Sunshine Coast implement social procurement initiatives.
- ☑ 2019. Edmonton adopted a Social Procurement Framework under its Sustainable Procurement program and Vancouver added a Social Value Framework to its Sustainable and Ethical Procurement program.
- ☑ 2020. Halifax Regional Municipality adopted a Social Value Framework, Living Wage Policy and Supplier Code of Conduct.
- ☑ Close to 15 Canadian municipalities have adopted living wage and fair wage policies.

## 3. How are Municipalities Generating Social Value in Procurement?

Municipalities are leveraging procurement to grow a more diverse, equitable local economy, provide employment and skills training for disadvantaged individuals and groups, and improve the health and well-being of all community members. To achieve these social value

outcomes, municipalities are increasing their spend with diverse businesses and social enterprises through numerous tactics, inserting social value clauses into solicitations, requiring community benefits in larger projects, requiring contractors to pay a living or fair wage, and exploring indigenous procurement opportunities.

## 3.1. Tactics to Increase Spending with Diverse Businesses and Social Enterprises

Municipalities are employing a few different tactics to increase spending with diverse, local, indigenous and/or small businesses and social enterprises. This approach is often referred to as Supplier or Supply Chain Diversity.

- A diverse business is at least 51 per cent owned, managed, and controlled individuals from an equity-seeking community including women, racialized minorities, persons with disabilities, newcomers, and LGBTQ+ persons or by Indigenous Persons.
- An Indigenous business is at least 51 per cent owned, managed, and controlled by Indigenous Persons
- A social enterprise is a business that: (i) is owned or operated by a non-profit organization; (ii) is directly involved in the production and/or selling of goods and services for the blended purpose of generating income and achieving social, cultural, and/or environmental benefits; and (iii) has a defined social, environmental, or cultural mandate.

### *Target Diverse and Social Enterprise Businesses for Low-Value Purchases*

Most institutions have a defined low-value contract threshold below which buyers can purchase a good or service directly from a particular business without soliciting other suppliers. Municipalities are encouraging buyers to choose local, diverse, Indigenous businesses and/or social enterprises for simple, low-value purchases and are developing tools and education/training programs to support them.

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| Mechanism: | Direct purchase from targeted suppliers |
| Threshold: | P-Card or Purchase Order |
| Tools: | Curated list of social value / diverse businesses to choose from; staff education and training program |
| Categories: | Catering, Office Products, Hardware store, Uniform work, Giveaways |
| Examples: | Victoria, Halifax, Edmonton, Calgary (see Appendix 1) |

### *Proactively Include Diverse Businesses and Social Enterprises on the Bidders List*

Some municipalities have policies that require staff to include a diverse business or social enterprise on the bidders list.

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| Mechanism: | Require buyers to include at least one ‘certified’ diverse business on the bidders list for invitational bids (3 quotes) |

Threshold: $3,000 to $100,000 (Toronto, Brampton)
Tools: Curated list or database of certified diverse businesses and social enterprises
Categories: All (where there are businesses in the market)
Examples: Toronto (launched in 2017), Brampton and Halifax (launching in 2021) (see Appendix 1)

### *Set Aside Contracts for Indigenous Businesses or Social Enterprises*

Contracts can be set aside or 'reserved' exclusively for direct purchase from a social enterprise or Indigenous business, or subject to a limited competition between a pool of candidates. These arrangements are allowed under Trade Agreements because purchases from social enterprises as non-profit organizations and Indigenous businesses (as a "measure relating to Aboriginal Peoples") are excepted from trade agreement rules.

Mechanism: Set aside a contract and award directly to social enterprise or Indigenous business
Threshold: Applies to any size contract (can be above Trade Agreement thresholds)
Categories: Landscaping, Grounds Maintenance, Renovations, General Maintenance, Catering, Temporary Staffing, Snow and Ice Removal, Graffiti Removal, Mattress Recycling
Example: Manitoba Housing contracts with five social enterprises (See Appendix 1)

### *Subdivide Large Contracts to Encourage Social Enterprise and Small Business Participation*

Many diverse businesses and social enterprises are small and lack the capacity to bid on large contracts. Subdividing a large contract into smaller contracts can better suit the capacities of smaller businesses. These smaller contracts can either be subject to normal competitive bidding practices or reserved for local, small, or diverse businesses if below threshold.

Mechanism: Assess the scope of a large contract to determine if it can be subdivided to provide opportunities for small local businesses
Threshold: Applies to contracts over competitive open thresholds ($75,000 and higher)
Categories: Landscaping, Grounds Maintenance, Renovations, General Maintenance and Repair, Snow and Ice Removal, Graffiti Removal, Catering, Temporary Staffing, Recycling, Waste Management
Examples: District of Tofino, Halifax (See Appendix 1)

### *Create a Directory of Qualified Diverse Businesses and Social Enterprises*

For the above tactics to work, buyers must have access to information about social enterprises, and diverse and local businesses operating in the market. Institutions are creating these resources in a few different ways:

- Toronto and Brampton require diverse suppliers to be certified by national non-profit supplier certification organizations, including Canadian Aboriginal and Minority Supplier Council, Women Business Enterprise Canada, Canadian Gay and Lesbian Chamber of Commerce, Canadian Council for Aboriginal Business, and the Inclusive Workplace Supply Council of Canada (veterans). These national organizations certify that their business members are 51% owned by an equity-seeking group and recruit members from across the country. Brampton is using Buy Social Canada to certify social enterprises.
- Toronto reaches out to business members of these organizations and invites them to register with the City. Businesses are added to a master list of certified diverse suppliers maintained internally. Brampton invites certified businesses to register on their e-procurement platform (Bids and Tenders); buyers will have access to a searchable database of businesses once the program launches in 2021.
- Vancouver, Victoria, and Qualicum Beach do not require third party certification. They invite businesses to register via a Request for Information. Businesses self-identify as diverse, provide information about their sustainability certifications, and identify what products and services they can offer. Victoria is using responses to create a Social Value Business Directory to share with buyers.

## 3.2. Insert Social Value Clauses in Solicitations

Many municipalities are incorporating social value requirements into RFPs and including them as evaluation criteria. A few include the clause in every RFP (though this is rare) while others include it in a subset based on the capacity of the purchasing group, size of the contract or some assessment of the social value opportunities of the contract. Municipalities are in the early phases of this effort. While many are incorporating social value as an evaluated component, they are not typically translating these requirements into social value deliverables in the contract. The wording of requirements varies municipality to municipality – some are broad and open-ended; while others are more narrow and specific.

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| Mechanism: | Include a social value clause in RFPs and Request for Pre-Qualifications as an evaluated component |
| Threshold: | Typically for open, competitive bid |
| Weighting: | Ranges from 5 to 10% |
| Examples: | Edmonton (5 to 10%), Halifax, Regina (5%), Victoria (up to 5%), Toronto (up to 10%), Port Hardy (9%), Coastal Communities Social Procurement Initiative (CCSPI) (see Appendix 1) |
| Categories: | Landscaping, Renovations, Laundering, General Maintenance, Janitorial, Snow and Ice Removal, Graffiti Removal, Recycling |
| Costs: | None cited |

## 3.3. Require Community Benefits in Larger Projects

For larger infrastructure and construction projects, municipalities are starting to incorporate community benefit requirements into the procurement process. Projects tied to funding by other orders of government will often have a community benefit requirement. Community

benefits are a set of activities or outcomes bidders are required to deliver as part of the contract. Bidders must submit a community benefit plan as part of their proposal, outlining what community benefits they will deliver. Community benefits are contractual and must be tracked and reported on. The quality of the community benefit plan is evaluated in the case of RFPs or Request for Pre-Qualifications. In the case of tenders, the bidder may be asked to commit to delivering a particular benefit such as hiring 10% from targeted groups, subcontracting X hours from a diverse business, or employing an apprentice for the duration of the project. Some jurisdictions define community benefits narrowly, choosing to focus on a few benefits, while others allow a broader range of benefits. (The Province of British Columbia, for example has defined CBAs very narrowly around a requirement for 'union' labour. This is not a common approach.)

In terms of the bid value for requiring community benefits, this is still a relatively new practice. Community benefits (or workforce development requirements) are typically being included in larger contracts (over $5 M and usually much larger) although Halifax's new Social Value Framework sets a bid value of over $1.25 M to trigger an assessment of workforce development opportunities.

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| Mechanism: | Include community benefits requirements in RFPs, Request for Pre-Qualification, and tenders |
| Threshold: | Larger bid values: $1.25M (Halifax), $5M and above (Toronto); $10M or $25M (projects funded under Federal Canada Infrastructure Plan) |
| Examples: | Federal Canada Infrastructure Plan Community Employment Benefits, Surrey, Toronto, Comox Valley Regional District, Halifax (See Appendix 1) |
| Categories: | Engineering Design, Construction, Infrastructure |
| Costs: | None cited |

## 3.4. Require Contractors to Pay a Living Wage or Fair Wage

Many municipalities are adopting Living Wage and Fair Wage Policies aimed at ensuring their contracted employees are paid a living wage or fair wage. The Living Wage is the hourly wage a worker needs to earn to cover their basic expenses (i.e. clothing, food, transportation etc.) and participate in their community (i.e. recreation). The living wage draws on community-specific data to determine the expenses for a family of four with two parents each working full-time, full-year. The Living Wage changes based on costs in each region and is updated annually. The 2020 living wage rate for Winnipeg is $16.15 as calculated by the Canadian Centre for Policy Alternatives.

In the past five years, a growing number of municipalities have become living wage employers committing to pay all direct and contracted staff the living wage rate for their municipality. Contracted staff are staff who perform regular work such as cleaning, security, and landscaping on municipal premises, grounds, and streets. Each municipality defines the scope of the policy differently. Vancouver has set a contract threshold of $250,000. Victoria's threshold is $300,000 while New Westminster applies it to all contracts. Suppliers of in-scope contracts must pay employees who perform the work the specified living wage. Burnaby, Edmonton, Halifax, and Port Coquitlam are all living wage employers.

Municipalities such as Toronto, Thunder Bay, Hamilton, Oshawa, and Sudbury have adopted fair wage policies. The intent of a fair wage policy is to stipulate reasonable rates of pay for specific classifications of works, particularly in construction and the trades sector or high-risk service sectors like security and cleaning. The wage rates are clearly outlined in bid documents and in the contract. The goal is to produce stable labour relations and a level playing field by eliminating wage discrepancies between organized and unorganized labour when bidding for contracts.

### 3.5. Explore Indigenous Procurement Opportunities

Municipalities are in the early stages of identifying Indigenous procurement opportunities. Edmonton is starting to develop an indigenous procurement framework by engaging Indigenous businesses, organizations, and community members. Most of the practices discussed in the previous sections can achieve Indigenous procurement outcomes as well. The most common practices being used to target Indigenous businesses are direct award and set-asides. Indigenous employment and First nations community benefits are frequently included in the community benefits of large-scale construction and infrastructure projects. This component of sustainable procurement is evolving rapidly. Because measures with respect to Aboriginal Peoples are excepted from Trade Agreements, municipalities can be flexible and innovative in how they engage with Indigenous businesses and communities.

## 4. What are the Cost Implications of Social Procurement?

Procurement groups across the country are moving away from a philosophy of 'lowest cost' towards a procurement approach that emphasizes 'best value'. This is a framework which aligns well with sustainability and social value objectives, which sometimes come with greater upfront costs, but frequently provide savings over the medium to long term. When it comes to measuring specific costs related to social procurement, data is quite limited due to the recent emergence of the practice, and the fact that most procurement teams in Canada are quite poorly resourced when it comes to systems for tracking suppliers, contracts and other spend analytics.

The classic example from the environmental pillar of sustainability procurement is LED lighting fixtures with higher upfront costs and significantly lower operating and maintenance costs. The parallel example on the social or service side of the ledger might be a policy to pay a Living Wage to custodial contractors knowing it may increase the absolute price of a contract; but likely results in increased quality of service and fewer costs associated with addressing deficiencies, internal customer complaints, turnover impacts, etc.

There are no Canadian cost-benefit studies available on social procurement practices to draw on (though studies from the UK suggest enormous societal benefits from social procurement). Notwithstanding the lack of formal data, none of the municipalities contacted in this study described seeing any measurable increases in the comparative costs of contracts due to social procurement. The exception being those bid under a recently approved Living Wage policy. However, as noted above, if indirect benefits are factored into a cost analysis the expectation is that benefits will outweigh direct costs.

Nor did any of the municipalities surveyed in this study indicate that they are expecting costs to rise. They report that social procurement can be implemented so that social value requirements (including community benefits) are calibrated to the capacity of the marketplace and suppliers can respond competitively. Here are two examples (see Appendix 1 Requiring community benefits in large contracts):

- The City of Surrey has not seen an increase in the cost of federally funded projects that include their community employment benefits targets. And in fact, one of the projects came in 40 per cent below budget.
- As of September 2020, the $126M Comox Valley Treatment Plant project in British Columbia had exceeded its community employment benefit hours targets and there were no additional costs associated with the social procurement requirements included in the RFP.

There may be increased contract management costs associated with managing small suppliers, or social enterprises in some cases, but again analysis related to local procurement shows a compelling return on investment in terms of an economic multiplier of 3-4 times every dollar spent locally. Furthermore, a 2016 social return on investment study on four construction-related social enterprises contracted by Manitoba Housing found that every dollar spent resulted in $2.23 in social benefit.

While contract costs do not appear to be significantly affected, there are staff and financial costs associated with implementing social procurement. Many municipalities are finding that to build a strong sustainable procurement program and then roll it out and manage it, they need additional staff and/ or financial resources during the program development phase. The work involved is time consuming and requires subtlety, patience, and creativity. To build the program, staff must develop policy, engage stakeholders, conduct research, initiate pilots, develop tools, and conduct training. Once the program is up and running, fewer resources are needed. However, there is still a need for resources to manage and continuously improve the program.

Institutions are addressing the resource requirements in different ways:

1. Edmonton, Calgary, Brampton, and Surrey all contracted consultants to help build their program along with existing staff.
2. Vancouver, Region of Peel, and Mississauga have dedicated sustainable procurement staff. Toronto has two FTE's dedicated to its social procurement program. Regina is asking for 1-2 FTE.
3. As programs mature, municipalities such as Edmonton are making sustainable procurement part of the job of all procurement staff.

## 5. Conclusions

City Council asked the Winnipeg Public Service to identify social procurement practices for appropriate City tenders with a goal of establishing a bid value for community benefits. Cities are incorporating community benefits into larger scale projects with bid values of $5M or higher. This is just one way that municipalities are generating social value in procurement. The research found that municipalities are implementing social procurement at all levels of spend from low value P Card purchases to invitational bids, to medium size service contracts to large construction or

infrastructure projects. In addition, they are finding opportunities across categories including, catering, construction, giveaways, general maintenance, grounds keeping, landscaping, outdoor furniture, printing, recycling, renovations, snow and ice removal, temporary staffing, and waste management. Municipalities report being able to incorporate social value into the bid process without increasing contract costs. Municipal representatives felt that requirements could be calibrated to the capacity of the market by engaging actively with suppliers.

## 6. Recommendations

The most effective sustainable procurement programs consider the broad array of possible sustainability risks and opportunities that may apply to any procurement and focus on addressing the specific ethical, environmental, social, and Indigenous issues that are most relevant to their organization. Winnipeg already has the foundations of a comprehensive sustainable procurement program that can address risks and opportunities in any of the pillars and, also give emphasis to those pillars that may feel like immediate priorities, eg. Social or Indigenous. The report recommends that City of Winnipeg:

1. Continue to build a comprehensive approach to sustainable procurement that addresses significant risks and opportunities that could emerge in any of the four sustainable procurement pillars: environmental, ethical, social, and Indigenous.
2. Define specific social and Indigenous goals within the overarching sustainable procurement program (see #5 below)
3. Designate specific staff and financial resources to build out the social and Indigenous components of the sustainable procurement program while continuing to advance environmental and ethical priorities.
4. Engage key stakeholders to refine the implementation approach for the program and to build understanding and buy-in. *Internal*: expand the internal sustainable procurement working group to include departments key to activating social and Indigenous opportunities. *External*: develop terms of reference for an external advisory group made up of industry, community intermediaries, small business, Indigenous business, Chambers of Commerce, and social enterprise representatives to provide input and feedback.
5. Develop a Sustainable Procurement appendix for the Administrative Standard FM-002 to define priorities in the four pillars. The appendix could include definitions, priorities, and thresholds (such as the bid value for community benefits).
6. Identify a target list of high-impact procurement opportunities (HIPOs) to pilot different sustainable and social procurement mechanisms, such as low-value P-Card purchases, set-asides for Indigenous businesses and social enterprises, social value clauses in RFPs, or community benefit requirements in a large construction project.
7. Develop procedures and tools to provide practical guidance to purchasing staff and business units on how to incorporate social and indigenous priorities into the procurement process.
8. Initiate 5 pilots in 2021 within the HIPO categories and monitor results.
9. Develop a communication and training program for procurement staff, buying groups, individual buyers, business units, and suppliers to share expectations and highlight success stories.
10. Report Back to Council on program development milestones and program successes as appropriate.

## Appendix 1. Examples of How Municipalities are Generating Social Value in Procurement

| Social Procurement Tactic/Mechanism | Municipal Examples |
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| *Target Diverse Businesses and Social Enterprises for Low-Value Purchases* | • Victoria is hoping to shift 10 percent of its $3 M P-Card spend to social value businesses and has developed a social value business directory based on an RFI issued in 2020. In 2020, Purchasing developed a 4.5 hr training program including 2.5 hours on social procurement and is making it mandatory for its 400 P-Card users.<br>• In 2019, members of the Canadian Collaboration for Sustainable Procurement (CCSP) developed a short training module for P-Card and credit card holders. The module covered how and when to consider environmental and social value in making a purchase. Victoria, Halifax, Edmonton, and Calgary tested it on nearly 40 staff. |
| *Proactively Invite Diverse Businesses and Social Enterprises to Bid* | • For divisional purchase orders between $3,000 and $100,000 the City of Toronto requires buyers to include at least one diverse 'certified' supplier on the bidding list. The City maintains a list of certified diverse suppliers for staff. The City requires that suppliers' ownership be certified by one of five supplier diversity councils. In 2019, divisional purchases from certified diverse suppliers increased by 40% compared to 2018. Toronto has one FTE dedicated to this program.<br>• Brampton is launching a similar supply chain diversity program in 2021. Certified diverse suppliers are being asked to register on the City's e-platform and staff will use this database to source candidates. Staff have been trained. Halifax's program launches in April 2021. |
| *Set Aside Contracts for Indigenous Businesses or Social Enterprises* | • Manitoba Housing sets aside up to $2-3M annually in maintenance and repair work and contracts five social enterprises to deliver this work. A social return on investment analysis conducted in 2016 found that every $1 spent with one of these social enterprises generates $2.23 in social benefit.<br>• The Procurement Strategy for Aboriginal Business (PSAB) supports Aboriginal business capacity development on behalf of the government of Canada. Through mandatory set asides, voluntary set asides, joint ventures and partnerships, the Strategy aims to assist Aboriginal businesses to compete for and win federal contracting opportunities. |

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| *Subdivide Contracts to Encourage Small Business and Social Enterprise Participation* | • To comply with its new Social Value Framework, Halifax procurement staff will be required to review all standing offer agreements prior to renewal or re-tendering to assess the ability for small and medium local businesses to respond to the call, and where appropriate, reduce the scope of the standing offer.<br>• District of Tofino unbundled landscaping from a large $1.4M streetscape revitalization contract. The $75,000 contract was under trade agreement thresholds and was advertised to local businesses. The contract was won by a local contractor who was able to provide services at a lower cost than the larger contractors who were all off Island. This resulted in lower costs to the District (*CCSPI, Local Stories: Procurement for Community Well-being*). |
| *Insert Social Value Clauses in Solicitations* | • Edmonton has a Social Value clause and an evaluation guide for buyers. Over time, the goal is to include the clause in all RFPs with a weighting of 5 to 10%. At present, they have included it in select bids for up to 5%.<br>• In January 2021, Regina started including a "Community Benefit & Sustainability" requirement in all RFPs with a weighting of 5%. Purchasing has developed RFP questions, evaluation guidance and a Sustainable Procurement contract clause.<br>• In January 2020, Victoria started inserting a "Social Value" requirement worth 2.5 to 5% in RFPs and updated the language in 2021 to make it more accessible to small, local suppliers.<br>• For RFPs over $100,000, Toronto includes a supplier diversity requirement that rewards a bidder's efforts with respect to supply chain diversity and employee diversity and asks if the bidder is a certified diverse business or social enterprise (weighting 3 to 10%).<br>• Port Hardy on Vancouver Island piloted a "social and community" value requirement worth 9% and received meaningful responses from all 7 bidders.<br>• The Coastal Communities Social Procurement Initiative has developed sample clauses that Vancouver Island member communities can tailor to their needs.<br>• April 1, 2021, Halifax will start to include social impact evaluation criteria in all RFPs and Requests for Pre-Qualification. |

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| *Require Community Benefits in Larger Projects* | *Federal Community Employment Benefits*<br>Projects that receive funding under the Federal Canada Infrastructure Plan are required to provide community employment benefits (CEBs) – employment and/or procurement opportunities for at least three of the following: apprentices; Indigenous peoples; women, persons with disabilities; veterans; youth; recent immigrants; and small and medium sized enterprises and social enterprises. Municipalities are incorporating CEB requirements into large infrastructure projects funded through this program. They are required to report annually on the # and % of total project hours filled by targeted groups.<br>• Surrey is focussing its sustainable procurement efforts on achieving CEB outcomes in $187M worth of projects it will undertake in the next 8 years under the Federal Disaster Mitigation and Adaptation Fund (DMAF). They have set a target that 20-30% of total project hours will come from the 7 targeted groups (+ LGBTQ+). They are implementing via a two-step process. 1) Pre-Qualification of Contractors where their ability to deliver CEBs is evaluated. Then in the tender, the bidder must commit to the 20-30 per cent target. So far, Surrey has not seen an increase in the cost of projects. As part of the process in developing its CEB targets, Surrey consulted industry who felt that they could meet proposed targets at no additional cost.<br>• Edmonton's LRT Valley Line West project included a community benefit agreement related to CEB's.<br>• The Comox Valley Regional District $126 M Water Treatment Project included CEB's. The project is underway and on track. As of September 2020, it was exceeding its community employment benefit hours targets. There were no additional costs associated with the social procurement concepts included in the RFP (CCSPI, *Local Stories: Procurement for Community Well-being)*.<br><br>*City of Toronto Workforce Development Requirements*<br>The City of Toronto has set a threshold of $5M to include workforce development requirements in contracts. All projects over $5M with a duration of longer than 2 years must be reviewed for workforce development opportunities. The focus is on creating apprenticeship opportunities and new employment. The City assesses projects based on: reach, suitability, volume and feasibility. The City has a staff person dedicated to the workforce development part of their social procurement program. This requirement is being included in both RFPs and tenders. The RFPs have been for engineering design firms. The tenders have been for construction projects and ranged in size from $10 to $400M.<br><br>*Halifax Regional Municipality Workforce and Employment Equity Requirements*<br>Launching in April 2021, Halifax's Social Value Framework states that for bids above $1,250,000 (including option years), the Procurement Section and the Ordering Department will review all bid documents to |

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| | determine if *Workforce Development or Employment Equity* requirements should be included based on: reach, suitability, volume, and feasibility. Where opportunities for workforce development and/or employment equity are identified, bidders will, as part of the procurement process, be required to provide to HRM a commitment respecting workforce development and/or employment equity in the event their bid is accepted. |