

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>7 DECEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director Financial Services	Tel. 452520 384564

**PETERBOROUGH CITY COUNCIL PROCUREMENT STRATEGY**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM</b> : Corporate Director Resources	<b>Deadline date</b> : 27 November 2015
<p>1. That Cabinet approves the procurement strategy (attached as appendix 1); and</p> <p>2. That Cabinet note the progress to date on investigating options for an ethical investment and procurement policy.</p>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Cabinet following the development of a procurement strategy by the Procurement Working Group as part of the council's Contract Rules and discussion by the Corporate Management Team (CMT).

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of the Procurement Strategy is to provide a framework over the next five years for the council to purchase goods, works or services from third parties. The strategy puts forward a number of outcomes to be delivered, in line with council priorities and the direction of a commissioning led council.

2.2 This report is for Cabinet to consider under its Terms of Reference Number 3.2.1 which states 'to take collective responsibility for the delivery of all strategic Executive functions within the council's Major Policy and Budget Framework and lead the council's overall improvement programmes to deliver excellent services.

**3. TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>
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**4. PROCUREMENT STRATEGY**

4.1 There have been a number of developments in recent years that mean it is sensible to refresh the procurement strategy. These include the changes in the financial position of councils, as well as the councils' move towards becoming a

commissioning organisation. In addition, the National Procurement Strategy for Local Government in England 2014 sets out a vision for local government procurement and encourages all councils in England to engage with the delivery of outcomes in four key areas: making savings, supporting local economies, leadership and modernising procurement. The principles within the national strategy have therefore been considered in refreshing the procurement strategy for the council.

- 4.2 Our previous strategy focused on value for money which is now at the core of everything we do, however, this is no longer sufficient. We now need to ensure that every time we spend we are clear that it is adding value and contributes directly to the strategic priorities of the council, playing a key role in breathing life back into local economies and improving the outcomes for the people of Peterborough
- 4.3 The strategy will set the framework and direction over the next five years for procurement of goods, works and services from third parties. Underpinning the strategy we will investigate and develop as necessary further policies that align to the procurement strategy, for example small medium enterprises (SME), ethical, sustainable and departmental category plans. The procurement strategy:
- a) Aligns to council priorities and commissioning principles
  - b) Supports Peterborough's Sustainable Community Strategy and ambition to become the UK's Environment Capital
  - c) Complies with legislative requirements
  - d) Spending resources efficiently and effectively
- 4.4 A copy of the proposed procurement strategy is attached in appendix 1. In addition to the strategy, a supplier guide has been produced specifically for local businesses on how to do business with the council (appendix 2) with the intention of Opportunity Peterborough providing some support in local business engagement. This supplier guide will be continually updated based on feedback from local businesses and suppliers.
- 4.5 The council recognises that through its strategic partners, Amey, Serco, Skanska and Vivacity that goods, works and services is undertaken on behalf of the council. The strategic partners therefore play a significant role on behalf of the council in sub-contracting directly into the local economy. Other examples where major suppliers used by the council that sub contract into the local market include Viridor and Carillion. Many of these partners specifically monitor their level of spend within PE postcodes to determine the contribution to the local economy.
- 4.6 The Council will use the strategy as the basis for increasing engagement with local businesses. For example Council officers recently attended a meeting of the Chamber of Commerce Construction arm to outline potential opportunities in schools works, and a follow up supplier day with Carillion is planned for January.

## **5. ETHICAL INVESTMENT AND PROCUREMENT**

- 5.1 The following motion was agreed by Council at their meeting of 4 March 2015:

'That in the interests of transparent and open decision-making, this Council agrees to develop an ethical investment and procurement policy through the Member Officer Working Group, and report back before the end of October 2015'

- 5.2 The approach to working on this was discussed and agreed at the Member Officer Working Group (MOCWG) on 18 March 2015 and 8 July 2015. The latter session also suggested that a sub-group should meet to consider each item.
- 5.3 MOCWG considered that the motion touched upon a number of areas and strategies, and these needed reviewing in turn, rather than a single policy being developed. The five areas to be considered are outlined below:
1. Treasury management and investment policy
  2. Loans to companies
  3. Pension fund
  4. Procurement
  5. Inward investment and partnerships
- 5.4 Full detail, including the discussions and conclusions of the sub-group were reported back to MOCWG on 28 October. That report is attached as appendix 3.
- 5.5 Whilst most areas of work have concluded, further Government guidance is awaited on some elements of local procurement policy to conclude.

## **6. CONSULTATION**

- 6.1 The Procurement Working Group comprises of council and Serco officers across the departments of the council that have involvement in commissioning, procurement, finance and legal for procurement activity. The council also engaged with Opportunity Peterborough on the draft strategy which has led to the addition document specifically aimed at businesses for how to do business with the council.

## **7. ANTICIPATED OUTCOMES**

- 7.1 Once agreed, the council will provide the framework for how the council will undertake the procurement activity in conjunction with the council's Contract Rules. The council is also seeking to engage local businesses through its already established links with Opportunity Peterborough and its strategic partners.

## **8. REASONS FOR RECOMMENDATIONS**

- 8.1 The strategy provides a framework for procuring goods, works and services with third parties over the next five years.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

- 9.1 The first option considered was to do nothing, however, the council spends in excess of £200 million per annum on procurement activity and the council Contract Rules refer to the council having a procurement strategy.
- 9.2 The strategy aims to be sufficiently flexible to allow development of individual policies to support the aims of the strategy e.g. concluding ethical elements.

## **10. IMPLICATIONS**

- 10.1 Adoption of the procurement strategy will result in its use across all Council services in conjunction with the council's Contract Rules.

## **11. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

National Procurement Strategy for Local Government in England 2014

## APPENDIX 1 – PROCUREMENT STRATEGY

### Procurement Strategy 2015 – 2020 - DRAFT

#### Introduction

This five year strategy sets out how the council intends to purchase goods, works or services from third parties that:

1. contribute towards achieving the council's priorities (appendix 1) and aligns to the seven commissioning principles the council has adopted to become a commissioning led council (appendix 2);
2. supports Peterborough's Sustainable community strategy<sup>1</sup> and ambition to become the UK's Environment Capital, to substantially improve the quality of life of the people of Peterborough and to raise the profile and reputation of our city as a leading city in environmental matters and a great place in which to live, visit and work;
3. complies with the legislative requirements for procurement; and
4. meets the challenge within local government and the wider public sector to spend within its means. The council has already seen its government funding cut by £44m (40%) over the previous five years, with this downward trend set to continue over the next four years.

The council spends in excess of £200 million per year on procuring works, goods and services through a variety of procurement and contracting arrangements covering a wide and diverse spectrum of council functions. For example, this includes buying stationery, energy, insurance, home to school transport for eligible pupils, care packages for eligible adults and children in social care, services from our strategic partners such as building maintenance and highway maintenance, to major IT systems and construction projects.

Our previous strategy focused on value for money which is now at the core of everything we do, however, this is no longer sufficient. We now need to ensure that every time we spend £1 we are clear that it is adding value and contributes directly to the strategic priorities of the council, playing a key role in breathing life back into local economies and improving the outcomes for the people of Peterborough.

This strategy will align to the council's customer strategy<sup>2</sup> which is fundamental in the understanding of our customer and business needs that will shape the way we deliver our services as a commissioning led council.

The outcomes of this strategy will be to:

1. Undertake procurement that achieves the council's strategic priorities and being a commissioning led council;
2. Achieve agreed efficiencies, effectiveness and economies of scale that demonstrates value for money for the residents, partner organisations, businesses and other interested parties, taking into account environmental, social and economic impacts and whole life costs when procuring products and services;

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<sup>1</sup> <https://www.peterborough.gov.uk/council/strategies-policies-and-plans/strategic-priorities/>

<sup>2</sup> <https://www.peterborough.gov.uk/council/strategies-policies-and-plans/customer-service-strategy/>

3. Achieve improved business processes that streamline how the council interacts with its supply chain including through maximising digital technology; and
4. Promote and supports small medium enterprises including community groups and local businesses

**Achievement of outcome of next five years**

<b>Outcome</b>	<b>Success Criteria</b>
<p>1. Undertake procurement that achieves the council's strategic priorities and being a commissioning led council</p>	<ol style="list-style-type: none"> <li>1. All procurement activity undertaken by the council is done in accordance with the Public Contract Regulations 2015 and the principles set by the European Union, the council's Contract Rules and Financial Regulations.</li> <li>2. All procurement of goods, works and services over £50,000 will be linked directly towards our strategic priorities or not procured at all. This will be clearly articulated in our procurement documentation so we can evidence why the goods, works and services are being bought and that where services have been commissioned that these have been considered against the seven commissioning principles and customer strategy. Where possible, where value, delivery and quality can be assured and financial constraints met, we will seek to procure goods, works and services from ethical sources.</li> <li>3. Sustainable procurement is investigated and developed within the council using the government's procurement framework to achieve this, as agreed in the council's Environmental Capital Action plan.</li> <li>4. Training and regular updates to council officers involved in procurement activity undertaken.</li> <li>5. Investigate and develop policies (for example, SME, ethical, sustainable and departmental category plans) that align to the procurement strategy.</li> <li>6. A clear market engagement strategy for the Peoples and Communities department that creates a buoyant supplier base which the council can commission services from to improve the outcomes for the people of Peterborough.</li> </ol>
<p>2. Achieve agreed efficiencies, effectiveness and economies of scale that demonstrates value for money for the residents, partner organisations, businesses and other interested parties, taking into account environmental, social and economic impacts when procuring products and services</p>	<ol style="list-style-type: none"> <li>1. All objective setting within our procurement activities will include both financial and non-financial components.</li> <li>2. Sourcing approvals will then show how these benefits can be demonstrated. Key facets that will be a focus in our procurement documentation will include: <ul style="list-style-type: none"> <li>• Innovative procurement opportunities</li> <li>• Partnering and collaboration, aggregating spending powers through effective collaboration or by sharing services on common goods.</li> <li>• Commercial innovation / commissioning / different ways of working – link to developing a commissioning strategy and category plans for departments</li> <li>• Inclusion of consideration of the requirements in the revised Best Value Duty guidance and Public Services (Social Value) Act 2012 where applicable</li> <li>• Implement key performance indicators that demonstrate value for money</li> </ul> </li> </ol>

Outcome	Success Criteria
3. Achieves improved business processes that streamline how the council interacts with its supply chain including through maximising digital technology	<ol style="list-style-type: none"> <li>1. We will adopt the appropriate E-sourcing technology that will: <ul style="list-style-type: none"> <li>• Streamline procurement processes</li> <li>• Ease the supplier on-boarding process for smaller suppliers, community organisations</li> <li>• Promote and implement processes that are less bureaucratic and burdensome to suppliers</li> </ul> </li> <li>2. Review the end to end process for purchasing goods, works or services to paying invoices to improve business processes</li> <li>3. Publish contract opportunities on Sourcecambridgeshire and Contracts Finder</li> <li>4. Meet requirements of the Transparency Code</li> <li>5. Outside of this our focus will be to review our: <ul style="list-style-type: none"> <li>• Supplier base</li> <li>• Work with the supply base to support appropriate demand management.</li> <li>• Create, develop and foster the appropriate engagement with suppliers</li> </ul> </li> </ol>
4. Promotes and supports small medium enterprises including community groups and local businesses	<ol style="list-style-type: none"> <li>1. The council will commit to: <ul style="list-style-type: none"> <li>• Pro-actively engage with Opportunity Peterborough, the Chambers of Commerce (and Federation of Small Businesses) Community and voluntary sector to ensure our procurement processes and policies support local regeneration.</li> <li>• Pro-actively work with our strategic partners to promote opportunities to sub contract goods, works and services to local suppliers within the Greater Cambridge and Greater Peterborough local enterprise partnership.</li> <li>• Drive local social and economic growth and regeneration by ensuring any commercial opportunity &gt; £25k is advertised on the Sourcecambridgeshire and Contracts Finder.</li> <li>• Hosting two supplier days per annum that will allow local businesses to ‘meet the buyer’</li> <li>• To ensure that in any post tender feedback, that all small businesses receive constructive feedback on their performance when involved in a procurement exercise.</li> </ul> </li> </ol>

### Monitoring arrangements:

Progress and monitoring of the procurement strategy outcomes will be done in the following ways:

- Regular monitoring as part of a programme of works through the council’s Procurement Working Group, a cross representative group of officers that are involved in procurement, legal, finance and commissioning activity
- The corporate management team to receive monitoring reports of the Procurement Working Group
- An annual performance report to Cabinet members commencing summer 2016

## **Appendix 1 – Council strategic priorities 2015**

Peterborough is one of the fastest growing cities in the country bringing new housing, jobs and opportunities for the people who live here and attracting new residents from across the UK and beyond. Our vision is to create a bigger and better Peterborough that grows the right way, and through truly sustainable development and growth:

- Improves the quality of life of all its people and communities, and ensures that all communities benefit from growth and the opportunities it brings
- creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK

The council's strategic priorities that underpin the vision are:

### **1. Drive growth, regeneration and economic development**

- To bring new investment and jobs
- To support people into work and off benefits
- To boost the city's economy and the wellbeing of all people

### **2. Improve educational attainment and skills**

- To allow people to seize opportunities of new jobs and university provision
- To keep talent and skills in the city's economy

### **3. Safeguard vulnerable children and adults**

### **4. Implement the Environment Capital agenda**

- To position Peterborough as a leading city in environmental matters
- To reduce the city's carbon footprint

### **5. Support Peterborough's culture and leisure trust Vivacity**

- To deliver arts and culture to all people

### **6. Keep all our communities safe, cohesive and healthy**

### **7. Achieve the best health and wellbeing for the city**

## **Appendix 2 – Commissioning led council and principles**

### **What is a commissioning led council?**

This means that we will deliver better outcomes for our customers through identifying the most efficient, effective and economic models of service delivery.

This may mean the council continuing to deliver services on its own, or directly through other agencies and organisations or as a partnership between the council and other organisations. This will provide us with a range of different abilities, skills and knowledge to enable targeted services to be delivered in the right place at the right time.

A commissioning approach offers significant benefits to local residents and businesses alike. Services will be delivered in more efficient ways, stimulating local enterprise by creating new markets in the provision of local services, and an increased emphasis on the scrutiny of those services.

### **Commissioning principles**

#### **1. Demand management**

We will prioritise the commissioning of services and solutions that will prevent or delay escalating support and service needs.

#### **2 Efficient and effective**

We will take an evidence based approach to commissioning services and solutions that demonstrate efficient and effective use of resources.

Services and solutions will be commissioned on the basis of best value.

#### **3 Return on investment**

We will commission on the basis of a clear, whole-life costed benefits realisation for service users, PCC and other stakeholders.

This will include analysis of the value of social and environmental outcomes of commissioning activities as well as financial outcomes.

#### **4 Market Development**

We will develop the market with providers and partners to ensure that strategic commissioning activity across health and social care is coordinated and best value and outcomes are delivered.

#### **5 Statutory duties**

We will ensure PCC complies with its legal duties within the statutory legislative and policy framework.

#### **6 Political**

Commissioning activity will take account of and be sensitive to the national and local political context. Engagement with elected members will be carried out throughout the commissioning process.

#### **7 Collaborative commissioning**

We will work to commission services and co-produce solutions with strategic partners where this best delivers PCC outcomes and objectives.



# How to do business with Peterborough City Council

A guide for local businesses

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## 1. Introduction

Peterborough City Council (PCC) provides a wide range of services to a community of circa 180,000 people who reside in the Peterborough area. This means that there is a significant demand for the supply of goods, works and services. To support these services PCC spends in excess of £200m per year with various organisations to help support the services delivered to the Peterborough community.

PCC is committed to utilising its financial asset to create a diverse and highly competitive supply network that delivers value for money and a capability that can deliver the services required for the community it serves. PCC recognises the important contribution that small businesses can make in delivering public services and the vital role these businesses play in the local Peterborough economy.

This guide is designed to help local businesses, understand how PCC makes procurement decisions and support the participation of those local businesses in appropriate procurement activities.

## 2. Contracting Rules

All contracts let by PCC have to comply with either our internal governance, commonly termed contract rules; or the European Public Contract Regulations (PCR). All procurement activity undertaken by PCC are to comply with the procedures in accordance with the contract rules and relevant PCRs. The procedures within the contract rules can be waived via Cabinet Decision or by Emergency Procedures; it is worth noting that the European Procurement Directives overrule the contract regulations.

The procurement process detailed in the contract rules is divided into two categories:

- Procurements activity with a contract value of £5k to £50k
- Procurement activity above a contract value of £50k to EU threshold

The detailed process around these divisions can differ significantly depending upon what is being bought and any associated risks with the procurement.

### 2.1 Procurement activity below a contract value below £50k

The contract rules stipulates that any officer undertaking any procurement activity within these financial parameters, must obtain a minimum of 3 quotations.

### 2.2 Procurement activity above a contract value of £50k

If any procurement activity is initiated within these financial parameters PCC's Commercial & Procurement department is informed and will either act in an advisory capacity to Council officers or will be responsible for undertaking the procurement itself. The process will be more comprehensive with the appropriate documentation being produced such as an Invitation to Tender and supporting Service Specification as a minimum.

### 2.3 Procurement activity above EU threshold

Any procurement activity is initiated that meets the contract value thresholds published by the European Union and detailed in table 1 places an obligation on PCC to undertake that procurement activity in line with the Public Contract Regulations 2015. PCC is free to choose the most appropriate process within those regulations for its given procurement requirements. These types of procurement activities are heavily governed and follow a strict process as detailed in those same regulations.

**Table 1 OJEU Thresholds for Public sector contracting authorities.**

	<b>SUPPLIES</b>	<b>SERVICES</b>	<b>WORKS</b>
<b>Public Sector contracting authorities</b>	£172,514 €207,000	£172,514 €207,000	£4,322,012 €5,186,000
<b>Social &amp; Other specific services</b>	N/A	£625,050 €750,000	N/A

### 3. Advertising Procurement Opportunities

There has been recent reforms within the PCRs that are aimed at making more public sector contracts accessible, particular to smaller businesses. These reforms place transparency obligations on PCC which means that new procurement opportunities will be available in one place; the Contracts Finder portal. In addition, contract award information relating to the winning contractor will also be available on Contracts Finder.

As well as advertising opportunities on Contracts Finder, PCC will continue to advertise opportunities on Source Cambridgeshire. [www.sourcecambridgeshire.co.uk/](http://www.sourcecambridgeshire.co.uk/)

The Contracts Finder portal was launched in 2015 and can be found at [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)

#### 3.1 Thresholds for publishing opportunities

The PCR does give threshold limits for which contracts are to be advertised, the contract value limit for PCC is set at £25,000.

#### 3.3 Specific requirements for placing contract opportunities on Contracts Finder

For below EU threshold contracts, the requirement to publish does not apply where PCC is making an opportunity know to a closed group of suppliers who have already been selected onto a Framework Agreement or Dynamic Purchasing System.

Where PCC is satisfied it is lawful not to advertise the opportunity, and chooses not to advertise at all, the requirement to advertise on Contract Finder does not apply to that contract. This may be the case where, for example, If PCC within its Contract Rules states that advertising is not required for contracts below a certain amount, and there is no legal requirement to advertise the contract.

This means that, for example, *if PCC is dealing with a procurement below £50,000, its contract rules state that contracts below £50,000 need not be advertised; it is satisfied there is no legal requirement to advertise, and it does not voluntarily advertise the procurement, then there is no requirement to advertise on Contracts Finder.*

*If the opportunity appears on other portals, for example, Source Cambridgeshire, or Tenders Direct portal, PCC will advertise the opportunity within 24hrs of the time advertised.*

For all opportunities either above or below EU thresholds, please refer to the regulations to determine the appropriate requirements for making procurement opportunities available.

## 4. How to apply for Procurement Opportunities

You can apply for procurement opportunities through a variety of ways:

- By responding to an advertised opportunity either via Source Cambridgeshire or through Contracts Finder.
- By responding to a formal advertisement placed on the Official Journal of the European Union.
- By submitting an interest to work with PCC via the following e-mail address;  
[commercialandprocurement@peterborough.gov.uk](mailto:commercialandprocurement@peterborough.gov.uk).

You will receive a response back from the Procurement team within 24hrs acknowledging your response and advising of the next steps. If there is not a procurement opportunity available at that time you may be asked to complete a simple questionnaire giving us sufficient information that enables the procurement team to advise you of the right opportunity.

Your information will be stored on a supplier database so that when an opportunity arises we can research that database and link your services to an opportunity.

Should you wish to arrange a meeting with the procurement team please send an e-mail to [commercialandprocurement@peterborough.gov.uk](mailto:commercialandprocurement@peterborough.gov.uk) clearly stating the reasons for the request and suitable dates available to you. Please do not send any corporate brochures via e-mail until it has been requested.

## 5. Bidding for business with PCC

The concept of bidding for business with a local authority can be a daunting process full of bureaucratic paperwork. PCC will, where it can, attempt to remove any unnecessary burden on local businesses within the tender process.

The information requested of local business will either be because of requirements in regulation or contract rules or, it is required to feature in the decision making process to enable a contract award to be made.

So what can you expect?

- To be treated fairly with all other bidders in the process
- Clear and transparent communication
- Full and professional Invitation to Tender (ITT) which will comprise of;
  - ITT document detailing the governance of the procurement process (inc Evaluation process and time lines, non-compliance)
  - Service Specification or any technical documentation that explains the requirements needed.
  - Pre-Qualification Questionnaire (If required)
  - Terms & Conditions of contract.
- Clear guidance on how to respond to the requirements asked for.

For those local businesses unsuccessful in any procurement opportunity PCC will commit to offering a debriefing session to enable businesses to transfer any learnings from those unsuccessful bids which may help them in any future bids with PCC and potentially other local authorities.

## 6. How to find out when a PCC contract award has been made

PCC is working towards publishing all contract award notices above £25,000.00 on Contracts Finder [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder) and Source Cambridgeshire [www.sourcecambridgeshire.co.uk/](http://www.sourcecambridgeshire.co.uk/).

All contract awards above the OJEU thresholds detailed in in table 1 of section 2.3 and that an advertisement has been placed, will be posted online. [www.tendersdirect.co.uk](http://www.tendersdirect.co.uk)

## 7. Frameworks

PCC like many Public Authorities utilise an array of frameworks made available to them. PCC prior to deciding whether a framework is the most suitable option will evaluate it alongside other sourcing options available to PCC.

A list of frameworks regularly researched are detailed in the table below:

Website	URL
A Crown website for School Buildings, Education Agency Funding Framework	<a href="https://www.gov.uk/government/collections/education-funding-agency-contractors-framework">https://www.gov.uk/government/collections/education-funding-agency-contractors-framework</a>
East Midlands Property Agents Framework	<a href="http://www.em-pa.org.uk/frameworks/introduction/">http://www.em-pa.org.uk/frameworks/introduction/</a>
Eastern Shires Purchasing organisation	<a href="https://www.espo.org/Frameworks">https://www.espo.org/Frameworks</a>
Crown Commercial Services Framework	<a href="http://ccs-agreements.cabinetoffice.gov.uk/">http://ccs-agreements.cabinetoffice.gov.uk/</a>
Yorkshire Purchasing Organisation Framework	<a href="http://www.ypo.co.uk/contracts-home/all-contracts">http://www.ypo.co.uk/contracts-home/all-contracts</a>
NHS Frameworks	<a href="https://www.sbs.nhs.uk/procurement">https://www.sbs.nhs.uk/procurement</a>
Midlands Highways Alliance	<a href="http://www.mhaweb.org.uk/work-streams/medium-schemes/">http://www.mhaweb.org.uk/work-streams/medium-schemes/</a>
Eastern Highways Alliance	No website available

## For further Information

Please contact the Procurement department

T: 01733 384588 E: [commercialandprocurement@peterborough.gov.uk](mailto:commercialandprocurement@peterborough.gov.uk)

## APPENDIX 3 – REPORT TO MEMBER OFFICER WORKING GROUP ON ETHICAL INVESTMENT AND PROCUREMENT POLICY

<b>MEMBER, OFFICER AND CONSTITUTIONAL WORKING GROUP</b>	AGENDA ITEM No.
<b>28<sup>TH</sup> OCTOBER 2015</b>	

Contact Officer(s):	Steven Pilsworth, Service Director Financial Services	Tel. 01733 384564
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### ETHICAL INVESTMENT AND PROCUREMENT POLICY UPDATE

<b>RECOMENDATIONS</b>	
<b>FROM:</b> <i>Councillor Seaton, Cabinet Member for Resources</i>	<b>Deadline date:</b>
1. <i>MOCWG are asked to comment on the work undertaken to date by the sub-group</i>	

#### 1. ORIGIN OF REPORT

The following motion was agreed by Council at their meeting of 4<sup>th</sup> March 2015:

‘That in the interests of transparent and open decision-making, this Council agrees to develop an ethical investment and procurement policy through the Member Officer Working Group, and report back before the end of October 2015’

The approach to working on this was discussed and agreed at the Member Officer Working Group on 18<sup>th</sup> March 2015 and 8<sup>th</sup> July 2015.

The latter session also suggested that a sub-group should meet to consider each item

#### 2. PURPOSE AND REASON FOR REPORT

This report outlines the discussions and progress of the sub-group, who met on September 24<sup>th</sup>.

#### 3. APPROACH AND WORK COVERED

MOCWG considered that the motion touched upon a number of areas and strategies, and these needed reviewing in turn, rather than a single policy being developed. The five areas to be considered are outlined below:

6. Treasury management and investment policy
7. Loans to companies
8. Pension fund
9. Procurement
10. Inward investment and partnerships

Full detail, including the discussions and conclusions of the sub-group are attached.

#### 4. ANTICIPATED OUTCOMES

MOCWG are asked to comment on the work undertaken to date by the sub-group.

##### **Member Officer Working group - Ethical Policy**

The following motion was agreed by Council at their meeting of 4<sup>th</sup> March 2015:

‘That in the interests of transparent and open decision-making, this Council agrees to develop an ethical investment and procurement policy through the Member Officer Working Group, and report back before the end of October 2015’

It is considered that this motion touches upon a number of areas and strategies, and these may need reviewing in turn, rather than a single policy being developed.

It is suggested that Members may wish to adopt the following approach:

1. Review existing strategy and approach – are there elements deemed ‘unethical’?
2. Review options for change
3. Make recommendations to the appropriate body

The five areas that could be considered are outlined below:

1. Treasury management and investment policy
2. Loans to companies
3. Pension fund
4. Procurement
5. Inward investment and partnerships

This approach was discussed and agreed at the Member Officer Working Group on the following dates:

- 18<sup>th</sup> March 2015
- 8<sup>th</sup> July 2015

The latter session also suggested that a sub-group should meet to consider each item, consisting of the following Members:

- Cllr Ferris
- Cllr Seaton
- Cllr Thulbourn
- Cllr Harrington
- Cllr Lane
- Cllr Sandford

The first meeting of the sub-group took place on Thursday 24<sup>th</sup> September (attended by Cllrs Ferris, Seaton and Thulbourn).

The discussions and conclusions reached are noted overleaf (original paper in main script, comments from September 24<sup>th</sup> in italics)

## **1. Treasury management and investment policy**

The MTFs approved on 4<sup>th</sup> March 2015 includes the Treasury management and investment policy (it is approved each year). In practice this covers short term investment of cash surpluses. Typically these are invested with Government (the debt management office), other councils and a handful of banks with the highest credit ratings (Our own bankers Barclays, RBS and others).

In this area, the credit rating of the counter-party of prime concern, minimising risk for the Council.

Members could review and comment on the policy.

### ***Discussions from 24<sup>th</sup> September***

*The sub-group reviewed the Treasury management and investment policy, and noted that the primary concern for the investment of cash was the credit rating and security of the counterparty. Whilst there was some concerns over behaviour of banks in recent years, it was agreed that the policy should remain as it stood. It was also noted that a refresh of strategy has to be agreed by Full Council as part of the MTFs each year, allowing scrutiny and debate as necessary*

## **2. Loans to companies**

Within the last year, the Council has made the decision to provide loans to two organisations within Peterborough In order for this to take place, the following needs to happen:

- An executive decision approving the loan arrangements
- Council needs to approve an update to the Treasury Management Strategy for each organisation

The two loans agreed are as follows:

Axiom Housing association:

<http://democracy.peterborough.gov.uk/documents/s21685/CMDN%20-%20Final%20PUB.pdf>

Empower Community Services

<http://democracy.peterborough.gov.uk/documents/s22252/4.%20Installation%20of%20Solar%20Panels%20on%20Roof%20Tops.pdf>

Members could comment as to whether they consider this process is sufficient.

### ***Discussions from 24<sup>th</sup> September***

*The sub-group were comfortable with this process*

### **3. Pension fund**

Whilst the scope of investment that PCC undertakes is fairly small, we are a member of the Cambridgeshire Pension Fund. Whilst the Board is an independent body (and hence the PCC motion is not binding on that body), Cllr Seaton is the representative on the board.

The board met on Thursday 19<sup>th</sup> March, and one of the items on the agenda was the Statement of Investment principles

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=977>

Cllr Seaton fed the issues arising from the motion into the discussion, and has asked that a more detail report on the investment approach is taken back to the board.

When this is scheduled, Members could provide comments for Cllr Seaton to feed in (noting that the timeline for such comments may be short, and that whilst issues can be raised, the motion cannot be binding on an external body).

#### ***Discussions from 24<sup>th</sup> September***

*Cllr Seaton reported back to the sub-group as to how this has been taken forward with the board. This has been raised with the board on several occasions.*

*The response from the pension fund administrators was that whilst the potential review of merging funds was underway, resource would need to be devoted to that area of work.*

*There was further discussion regarding organisations that monitored the ethical performance of pension and investment funds.*

*At the recent Conservative Party Conference, the Chancellor confirmed that the Local Government Pension Funds are to be merged into 6 regional Funds. Given this is unlikely that further progress will be made in working with the Pensions Board and administrators in this area.*

*Again it should be noted that the Pension Fund is an independent entity, and the motion is not binding upon it.*

### **4. Procurement**

The Council buys a significant range of goods and services. Typically it purchases these through either:

- Existing framework arrangements e.g. Government frameworks
- Running tender exercises

The Council is currently undertaking a range of projects in procurement, including:

- Reviewing and refreshing the procurement strategy
- Developing the sourcing plan for the coming years – identifying the goods and services we need to buy, and the approach for doing so
- Developing a standard suite of procurement documents, including the pre-qualification questionnaire

The latter element may be of most interest. It asks a range of questions about suppliers, and certain thresholds they need to meet e.g. confirmation of compliance with applicable laws.

It is suggested Members may wish to review and comment on these documents as they are developed.

### ***Discussions from 24<sup>th</sup> September***

*The Service Director Financial Service confirmed that work was in progress in this area. This would include the following:*

- *Development of a high level procurement strategy to be approved by Cabinet. This would include reference to the ethical investment work. The draft would be shared with the sub-group*
- *Development of a suite of tender documentation, including pre-qualification questionnaires. These ask a range of questions of potential bidders, ensuring compliance with relevant legislation*

*It is the latter of these that will probably have more impact in practical terms, and again a draft will be shared with the sub-group to review and comment on*

***Subsequent note*** – *any developments in this area will now need to have regard to proposed changes announced on 3<sup>rd</sup> October to legislation to make clear that using pensions and procurement policies to pursue boycotts, divestments and sanctions campaigns against other countries and the UK defence industry are inappropriate, unless they are in line with action on a national level. Any final decisions will need to await this guidance*

## **5. Inward investment and partnerships**

Within the last year, comment has been made on the following initiatives:

- The Council's Joint Venture partnership with a Luxembourg based Investment Fund to deliver redevelopment and growth of key sites
- The Council's strategic partnership proposal with AVIC, a Chinese company

In such areas the Council has to follow applicable EU law. For example, the growth fund is subject to EU sanctions on where investment comes from. For example, investment from a number of individuals in Russia is not permitted given the situation in Ukraine. Whilst the EU has made some statements about China's human rights record, this has not extended to any such investment bank (link to the full list below, including the statement on china).

[http://eeas.europa.eu/cfsp/sanctions/docs/measures\\_en.pdf](http://eeas.europa.eu/cfsp/sanctions/docs/measures_en.pdf)

Of all areas included in this note, this area could be the most wide ranging. If Members were interested in considering further, this may require a specific group to review and would need to call in representatives from Growth and Regeneration, Asset Management etc.

### ***Discussions from 24<sup>th</sup> September***

*The views of the sub-group differed in this area. Some wanted to take a more stringent approach to discouraging investment from Countries such as China, whereas others felt encouraging such trade was a way to open up these countries.*

*Ultimately the sub-group concluded that the Council would follow the EU guidance and legislation in this area.*

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