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City of Vancouver: Generating social value through procurement

Finalist: Innovative project award

What

The City of Vancouver is a municipal government organisation in Canada. In 2019 it developed and implemented a Social Value Procurement Framework as a way to generate positive social outcomes. The framework encourages City of Vancouver staff to procure services from vendors that have a social purpose or that are diverse. The city's target is to procure 50% of services from such organisations in specific procurement categories by 2023.

By expanding opportunities for vendors, this project contributes to a diversified supply chain and economic benefit for the city. The framework is designed to be flexible, with social value weighted differently on a case-by-case basis. It also opens space for Vancouver to talk with other vendors about increasing social value in their own supply chains, encouraging a shift in the market for the better.

Finance has provided crucial project inputs throughout development and implementation. Finance teams analysed historical trends in procuring services, established new contracts with social/diverse businesses and developed dashboards and targets for measuring performance. Through its work, finance is helping to leverage procurement processes to create both social and economic benefits for the city.

'We're always looking to measure outcomes. Through this project we are able to see (a) multiplier effect, and I think that is significantly higher impact than ... where we directly give a grant to an organisation. So what I find with this project is that it's a lot more impactful to society.'

Clare Zhao,
Senior Financial Analyst

Why

The Social Value Procurement Framework is part of Vancouver's healthy city strategy. Under this strategy, the city council requested a procurement framework that would advance economic opportunities for Vancouver communities. The goal was to make the city's supply chain as diverse as the community that it serves, driving both social value and economic equity.

Research in Vancouver indicated that every \$1 spent with vendors under the framework would generate \$3 of social impact. By using procurement rather than grants, the framework aimed to take advantage of this multiplier effect.

The objectives of the framework is to leverage resources and relationships that:

- > Increase economic opportunities for social/diverse businesses
- > Diversify the supply chain
- > Improve economic independence and capacities
- > Promote diversity in the workforce
- > Advance inclusion, reconciliation, equity and diversity



'The ambition of Vancouver to award 50% of its contracts to social and diverse businesses by 2023, under its Social Value Procurement Framework, is both inspirational and commendable. It is being implemented in a sensitive way that will increase economic opportunities for all its diverse citizen groups.'

Finance for the Future Awards judges

Some of the key economic reasons for focusing on social value businesses are:

City of Vancouver (Plans & Strategies)

- > **Women's Equity Strategy**
 - >> Women make up 51% of Vancouver's population
 - >> Increase labour force participation
- > **City of Reconciliation**
 - >> Provide support for training/employment
- > **Healthy City Strategy**
 - >> Enabling supported employment initiative via social enterprise
 - >> Ensuring social sustainability by developing more opportunities for people in Vancouver
- > **Creative City Strategy**
 - >> Reflect the diversity of the City investments and efforts
- > **Supporting Trans Equality and Inclusive Vancouver**
 - >> Embrace and support people of all gender identities and expressions
- > **Vancouver Immigration Partnership**
 - >> Vancouver attracts newcomers from around the world. In 2011, 44 percent of Vancouver's population was born outside of Canada

Economic Drivers

- > **Women**
 - >> Full economic participation could add \$21.2 billion to BC's Gross Domestic Product by 2026
- > **Indigenous**
 - >> There are over 37,000 Indigenous-owned businesses across Canada and they are creating new businesses at 9 times the rate of the average Canadian (Indigenous and Northern Affairs Canada website, PSAB – Bringing Meaning to Procurement)
- > **Non-Profit (Social Enterprise)/Coop Business**
 - >> For every \$1 spend – \$3 social value
- > **People with Disabilities**
 - >> More than 500,000 British Columbians ages 15 and older, or 15% of the population, self-identify as having a disability and the numbers are growing rapidly
 - >> Only 50% of Canadians with a disability aged 25 to 65 are employed versus 80% of the general population
 - >> Are more than twice as likely to live in poverty as someone without a disability
- > **Ethno-Cultural**
 - >> One per cent increase in ethno-cultural diversity was associated with a 2.4 per cent increase in revenues

The framework also signals Vancouver's values as an organisation. The City of Vancouver is one of the largest municipalities in its region, so it saw a chance to start a ripple effect. By showing that it could tie together social and economic benefit in procurement, Vancouver wanted to use its influence within and beyond its own supply chain to inspire others to take similar steps.

How

Introducing the Social Value Procurement Framework required research and a flexible approach:

- > Finance staff used historical spend data to understand how much Vancouver had been buying from social/diverse vendors and establish a baseline. A management consultant helped to analyse the data and benchmark against other cities.
- > Vancouver researched existing vendors and the marketplace as a whole. It engaged with intermediaries that work with under-represented groups and conducted an innovative online survey. The survey asked vendors to self-identify as social/diverse, explain their work and describe their capacity.
- > From the research, staff identified the procurement categories with the strongest opportunities to use social/diverse vendors. Vancouver matched this with the spend data to discover that, for these services, 15% of contracts were already with social/diverse businesses.
- > The framework was developed to be flexible, balancing value for money with social value. For projects where having a social/diverse vendor is more important – for example, a project to build space for indigenous women, by indigenous women – this factor can be weighted more heavily. The weighting is determined on a case-by-case basis.
- > Vancouver also encourages larger companies to partner with, or subcontract to, social/diverse businesses. This helps to shift the marketplace: social/diverse businesses increase their capacity and other companies diversify their supply chain. It has seen established vendors that don't meet the criteria starting to change their behaviour, in some cases partnering with smaller social enterprises to benefit from mutual learning.
- > A focus on social value also encourages the city to embed social factors into contracts with companies that are not social/diverse. Contracts can include targets for diversifying the workforce, with regular check ins.
- > Finance developed metrics and dashboards so that Vancouver could measure its progress and outcomes. Quantity metrics included dollar amounts spent, number of vendors and number of contracts. Having an overall target to spend 50% on identified service categories through social/diverse vendors by 2023 gave a strong sense of direction and ambition.
- > Vancouver plans to measure both direct and indirect outcomes, including the social impact within local communities. This may include collaborating with departments that make grants, to analyse whether the procurement project has freed up grant funds for other work, expanding the City of Vancouver's overall impact.

vancouver.ca/doing-business/sustainable-procurement.aspx



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