

## **The Power of Procurement – Why the Business Charter for Social Responsibility**

Increasingly, in addition to purchasing goods, Birmingham City Council is commissioning services from private or third sector providers, or through joint ventures or wholly-owned companies. The Council spends over £1bn of public money on behalf of its citizens with a range of suppliers from the largest such as Amey and Service Birmingham, to small and medium sized local enterprises and voluntary organisations. How we spend it not only matters in terms of ensuring value for money but also in terms of maximising the additional benefits that this spending can generate for those citizens.

The Leader's Policy Statement to the City Council on 12<sup>th</sup> June recognised that this purchasing power has significant potential for using procurement to boost the Birmingham Economy and create much-needed jobs and apprenticeships.

It committed the Council to produce a Business Charter for Social Responsibility to seek, initially, new and major businesses contracted to the Council to make voluntary agreements in a number of areas. These will then become part of the Terms and Conditions of new contracts as they are let or renewed. A draft of this Charter for consultation is attached.

We intend, through this innovative procurement strategy that puts Birmingham first, to offer a lifeline to our City's struggling economy and create much needed jobs and apprenticeships. Getting suppliers and contractors using schemes such as our "Toolkit for Jobs and Skills" and the "Find it in Birmingham" website will help this.

But it's not just the direct economic benefits that procurement can support; our purchasing power will be used to encourage suppliers and partners to make a positive contribution to Birmingham's communities through activities such as mentoring and capacity building, and working with schools and third sector groups. Similarly we will want them to help care for our environment, locally and globally and to be fair in their own procurement.

A key element of them signing up to being a good employer will be agreeing to pay not less than the Birmingham Living Wage. The Council has already done this for directly employed staff, raising the pay of 3,000 of the Council's lowest paid workers giving dignity in work and greater financial security. We believe it is just that people working on behalf of the Council are paid the same minimum rate as if they worked directly for us. But we also believe that since our procurement policies mean that more of them will be Brummies, then putting more money into those people's pockets will help local shops and businesses, creating a virtuous spiral that can treble its value to the local economy. And there is plenty of evidence that paying the Living Wage boosts flexibility and performance, reduces sickness and aids staff retention.

(Indeed such is the potential benefit to Birmingham and its communities that we will encourage all Birmingham firms to pay the Living Wage, whether they contract with us or not, by publishing an annual list of those who voluntarily do so.)

Extensive research and investigation has been carried out by a number of national bodies and academia which supports the theory that public sector procurement from the private sector could provide significant non-monetary benefits. Our toolkit to achieve these is the Birmingham Business Charter for Social Responsibility.

The Charter and its principles are clearly in line with current thinking and related legislation. The Public Services (Social Value) Act 2012 places a duty on local authorities at the 'pre-procurement' phase of procuring services to consider how what is being procured might improve the economic, social and environmental well-being of their areas. Making the Business Charter for Social Responsibility part of the Terms and Conditions of new contracts with the Council will ensure that the any potential Social Value benefits derived through procurement are not overlooked nor forgotten.

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