

3. ETHICAL PURCHASING AND CONTRACTING POLICY

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The purpose of this report is to put before the Council a proposed ethical purchasing and contracting policy, for when the Council contracts out work, or purchases goods.

This report has been referred back from the Council to this Committee, to enable the Contractors Federation to make representations to the Committee concerning the proposed policy. The Amalgamated Workers Union has also requested speaking rights. The proposed policy set out below has also been slightly restructured so that it more clearly sets out the formal policy.

The genesis of this report came from concerns expressed by a number of Councillors about contracting out of work that is currently carried out either by the Council itself or by City Care, and the ethical standards of firms or contractors that may carry out this work in the future. There was also concern expressed that greater contracting out was driving down wages in the city.

The Council already has a number of policies relating to suppliers. These include a preference for local products (within a small financial cost), and policies relating to use tropical or rainforest timber.

The Council has also expressed a commitment to leading Christchurch to become a model sustainable city. It has sponsored initiatives through Redesigning Resources. It has become a member of New Zealand Businesses for Social Responsibility. It has put considerable money into waste minimisation and energy efficiency. It is appropriate to now also consider how sustainability issues can be applied to our suppliers.

The proposed policy below brings together some of this work. It is a first attempt, and there will no doubt be some debate about the degree to which they should be mandatory or preferences. In the end we have expressed them as a set of preferences, and examples of practices that the Council is looking for, and require suppliers or contractors to provide information to show how they measure up. This allows suppliers to show their commitment in a way that is suitable to the circumstances, and also to be as innovative as they choose. For example the companies in the redesigning resources network, or who are members of the New Zealand Businesses for Social Responsibility are in the forefront of sustainable and ethical behaviour. Suppliers from these groups may wish to demonstrate that they have gone further than the Council is requiring. They may well be appropriate in many circumstances, but not always (for example when goods are supplied mainly from overseas, when the rules of other organisations restrict us, eg Transfund, or when applying them may lead to significant increases in costs for goods or services).

Having an ethical purchasing and contracting policy will probably lead to some increase in our costs, as it will limit the range of companies that we use, and contractors will need extra resources and processes to meet new requirements. The Council will also need to put in more effort, and possibly have lengthier processes, to implement and track this policy.

There will probably be discussion over the level of the minimum expected employment conditions set out in this report. For some they will be seen as anti-competitive, limiting our options, and increasing our costs. For others, they will be seen as too low and should be higher. The rates set are at a level which most (but certainly not all) of our current suppliers and contractors will comply with. Setting them any higher could even more limit the companies that we do business with.

In support of having these minimum employment conditions, and probably at a rate higher than recommended in this report, the Director of Policy comments that the rise of an underclass of poorly paid workers has many effects including: increasing levels of sickness and premature death; declines in civil commitment and participation; and loss of community infrastructure (Marmot 1997, Wilkinson 1989,1990,1994,1997 Kennedy et al 1996, Davey –Smith 1990, 1999, Kaplan et 1996). An examination of health statistics indicates those at the bottom of the economic ladder are more likely to die from just about every disease from which people can die from than the more well-off. These diseases include cancers, heart disease, diabetes, and respiratory diseases among others. There are profound variation in health and well-being between poor and not-poor children. These differences are seen in incidence of illness, hospital stays, and death, accidental injuries, mental health and well-being, school achievement and drop-out, family violence and child abuse.

PROPOSED ETHICAL PURCHASING AND CONTRACTING POLICY

The following words set out in italics would form the Council's Ethical Purchasing and Contracting Policy.

The Christchurch City Council's preference is to purchase goods and services from companies or suppliers who:

- Produce and deliver their goods or services under conditions that do not involve the abuse, exploitation or unreasonable treatment of any persons*
- Have measures in place to minimise their negative impact and maximise their positive impact on the environment*
- Have a positive impact on the community, especially of Christchurch*

In order to implement this preference the Christchurch City Council, when selecting suppliers or contractors, will include in any tender or request for proposal documents a requirement that the contractor or supplier will provide information to show how they measure up to this preference. The Council will, unless constrained by legislation or other organisations practices, take this information into account in its assessment and selection process. The Council will reserve the right to check compliance with any information supplied during any selection process.

The matters about which information will be requested will include;

- Adequate employment conditions for staff. For example, the Christchurch City Council expects that the minimum pay rates for staff employed on Council contracts should be at least one third above the relevant minimum youth or adult wage (based on the current minimum adult wage of \$8 per hours, this equates to \$10.66 per hour).*
- Training programmes, and apprenticeships or similar schemes, in place.*
- The use of local Christchurch companies and suppliers, or of labour or services from the Christchurch/Canterbury area.*
- Demonstrable environmental processes in place resulting in efficient resource use, waste minimisation, energy efficiency and minimisation of harmful emissions.*
- The results of any environmental audit or assessment process, or the agreement that the Council may request an environmental audit.*
- Minimised use of tropical and rainforest timber, and if used, only from approved sustainably managed forests.*
- Demonstrable health and safety standards, including NZS 4801 accreditation or ACC primary, secondary or tertiary accreditation (Note: The Council has minimum health and safety standards in its standard terms and conditions).*

- Recommendation:**
1. That the Council adopt the above Ethical Purchasing and Contracting Policy.
 2. That the Council make representations to Transfund to enable the Council to apply this policy to projects for which it is seeking Transfund subsidy.
 3. That appropriate letters be sent to the Minister of Labour, local MPs, the State Services Commission and the business sector informing them of the Council's adoption of this policy.
 4. That CCHL encourage subsidiaries of the Council to adopt a similar policy.

Chair's

Recommendation: That the above recommendation be adopted.