

Report to: Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)
 Cabinet
 Council

Date of Meeting: 14 January 2020
 6 February 2020
 27 February 2020

Subject: Ethical Business Practices Working Group Final Report

Wards Affected: All

Report of: Chief Legal and Democratic Officer

Is this a Key Decision? Yes
Is it included in the Forward Plan? Yes
Exempt/Confidential No

Purpose/Summary

To present formally the final report of the Ethical Business Practices Working Group.

Recommendations: That Committee, Cabinet and Council:

- (1) request the Head of Corporate Resources to make arrangements, via the Council’s decision-making processes, to include the revised statement of draft ethical business/investment principles as referred to below in the Treasury Management Strategy and to adopt it as part of the Council’s Policy for investment:

ETHICAL INVESTMENT POLICY

“The Local Authority at times invests surplus funds with third party organisations and institutions and the Council’s [core values](#) will play a major role in making investment decisions which will be aligned where possible to the following four overarching core principles;

- Sustainable and Responsible – manage the effect on the environment, community and for the good of society
- Value Based – invest in businesses that are aligned with the organisations core values;
- Maximising Impact – achieve a measurable positive, social or environmental impact, in addition to a financial return;
- Green – improving the environment.”

In deciding and then approving the counterparty list in which the Council will invest, the principles of security, liquidity and yield will always be the primary consideration to ensure compliance with statutory guidance. As part of this

evaluation, the Council will consider ethical investment opportunities and identify and apply an appropriate weighting based on the Council's Core Values/overarching core principles.

Where the Council deposits surplus balances overnight or for a short-term, investments will be made with financial institutions in a responsible manner (aligned to the overarching core principles/councils core values) where possible and in accordance with advice from its Treasury Management Advisor. In the event that the Council has surplus balances that it can invest for the longer term (e.g. terms over 1 year) it will exclude direct investment in financial products that do not contribute positively to society and the environment. This will include the principle that investment in specific financial products whose performance is driven by off-shore trading, financial malpractice, debt swaps, short selling, the arms trade and tobacco industry will be avoided. The same rigorous criteria will be used to assess whether investment in certain countries will be contrary to Sefton's [core values](#).

It is recommended that the Head of Corporate Resources, to assess whether investment in certain countries will be contrary to Sefton's [core values](#), give consideration to the exclusion of those countries on the [EU list of non-cooperative tax jurisdictions](#) (the black list and the grey list), which aims to tackle external risks of tax abuse and unfair tax competition, within the Council's Treasury Management Strategy.

In order for these organisations to be included on the Council's counterparty list they will be evaluated against the same criteria as other counterparties and assessed against the Council's core values and ethical business and investment principles/policy, including the ethical weighting to ensure balance and investments are aligned with the new policy.

The Council's Treasury Management Team will be continually engage on progress in this sector, understanding where possible that Council investments and deposits are aligned with its core values – for example, generating income for social reinvestment and not investing in such companies as highlighted above.

This approach will be supported by considering the opportunity for ethical investments as part of the development of the annual Treasury Management Strategy and engaging with the Council's Treasury Management Advisors as to whether any investment is contrary to the Council's values (including the ethical investment weighting). A specific section in the annual Treasury Management report will cover how the adopted ethical investment strategy is being applied to investment decisions.

The Local Authority publishes a list of its investments to ensure openness and transparency.”;

- (2) request the Head of Strategic Support to make arrangements, via the Council's decision-making processes, to adopt the following revised statements of ethical procurement principles/policy.

ETHICAL PROCUREMENT POLICY

“The Local Authority routinely procures goods and services with a range of providers and the Council’s [core values](#) will play a major role in making procurement decisions which will be aligned where possible to the following four overarching core principles;

- Sustainable and Responsible – manage the effect on the environment, community and for the good of society
- Value Based – work with businesses that are aligned with an organisations core values;
- Maximising Impact – achieve a measurable positive, social or environmental impact, as a result of a contract;
- Green – improving the environment.”

Procurement will enhance Social impact/value, including opportunities associated with national themes of Jobs: Promoting Local Skills and Employment; Growth: Supporting Sustainable Growth of Responsible Regional Business; Social: Healthier, Safer and more Resilient Communities; Environment: Protecting and Improving Our Environment; and Innovation: Promoting Social Innovation; and their outcomes and measures.

Implement and enhance a Procurement Strategy, based on the Local Government Association (LGA) National Procurement Strategy providing an effective mechanism for improving the social impact/social value from our contracted providers, particularly its focus on “Achieving Community Benefit”, which includes “obtaining social value”.

The local strategy for social value opportunities to include the increased emphasis in the refreshed Corporate Commissioning Framework and on developing an updated Social Value Action Plan.

Implement a stand-alone phased two-year Social Value Action Plan to include the guiding principles of catching up with those leading the field, going beyond compliance with the Public Services (Social Value) Act 2012, maximising the full breadth of Social Value outcomes and effectively measuring, monitoring and reporting delivery.

The Social Value Action plan will address the areas for development identified through the self-assessment against the LGA strategy and include tangible, clear, measurable, timebound targets to improve social value.

Maximise Social value opportunities connected with the joined-up approach across the Liverpool City Region – LCR Procurement Hub and work undertaken with Proactis and the Social Value Portal to join-up the Chest, the National Themes, Outcomes and measures and the online Measurement Tool”: and

- (3) request the Head of Strategic Support to make arrangements, via the Council’s decision-making processes, to develop, adopt and implement a Social Value Action Plan in line with the following:

SOCIAL VALUE ACTION PLAN

“The guiding principles for development of our approach to Social Value are to catch up with those leading the field; Go beyond compliance with the Public Services (Social Value) Act 2012; maximise full breadth of Social Value outcomes; and effectively measure, monitor and report delivery.

Self-assessment against “Obtaining Social Value” in the LGA National Strategy will provide a framework whereby we can evaluate what we already do and identify areas for improvement including assessment against the following statements, “the extent to which...”:

- the requirements of the Social Value Act are embedded into corporate policy;
- social value awareness is embedded across all management levels;
- social value themes, outcomes and measures are reported and used (including evaluating the usefulness of social accounting quantitative measures to evaluate impact);
- social value requirements are embedded in the commissioning process;
- social value requirements are embedded in the procurement process;
- obtaining social value is part of engagement and third-party relationships;
- social value requirements in contracts are managed;
- social value is embedded in a wider collaborative environment;
- obtaining social value is communicated and reported;
- social value is embedded and managed in the commissioning and procurement process.
- These can all be addressed within the scope of the guiding principles, through specific, tangible and time-bound actions in a Procurement/Social Value Action Plan.”

The policy will be reviewed on completion of the SV action Plan

Reasons for the Recommendation:

The Working Group has made a number of recommendations that require approval by the Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) and the Cabinet.

Alternative Options Considered and Rejected:

No alternative options were considered. The Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) established the Working Group to review the Council’s Ethical Business Practices and the Working Group has performed this task.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no financial implications arising for the Council as a direct result of this report. The implementation of recommendations that result in efficiency savings and any necessary financial investment will be the subject of separate reports.

(B) Capital Costs

There are no financial implications arising for the Council as a direct result of this report. The implementation of recommendations that result in efficiency savings and any necessary financial investment will be the subject of separate reports.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Financial		
Legal: Housing Act 2004		
Human Resources		
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Contribution to the Council's Core Purpose

Protect the most vulnerable: None directly associated with this report
Facilitate confident and resilient communities: None directly associated with this report
Commission, broker and provide core services: The context for the Ethical Procurement Policy centres on the legal position regarding social value in procurement as defined in the Public Services (Social Value) Act 2012; and the statutory duty to consider the social value of public services on contracts above the European Union procurement thresholds
Place – leadership and influencer: None directly associated with this report
Drivers of change and reform: The nature of public sector services reflects many of the principles of Corporate Social Responsibility/Ethical Business Practice. To embed Corporate Social Responsibility/Ethical Business Practice an organisation needs to be operating in line with good Corporate Social Responsibility/ Ethical Business Practice in its various roles as service provider, purchaser, employer and its engagement with the public as consumers, customers and clients.
For the purposes of the Working Group the term Ethical Business Practice was used

which encompassed several key elements of Corporate Social Responsibility. The Working Group focussed on:

1. Proposing a revised Ethical Investment Policy/Strategy
2. Proposing a revised Ethical Procurement Policy/Strategy to embed Social Value

Facilitate sustainable economic prosperity: As above

Greater income for social investment: The nature of public sector services reflects many of the principles of Corporate Social Responsibility/Ethical Business Practice. To embed Corporate Social Responsibility/Ethical Business Practice an organisation needs to be operating in line with good Corporate Social Responsibility/ Ethical Business Practice in its various roles as service provider, purchaser, employer and its engagement with the public as consumers, customers and clients.

For the purposes of the Working Group the term Ethical Business Practice was used which encompassed several key elements of Corporate Social Responsibility. The Working Group focussed on:

1. Proposing a revised Ethical Investment Policy/Strategy
2. Proposing a revised Ethical Procurement Policy/Strategy to embed Social Value

Cleaner Greener: In respect of the Ethical Investment Policy there are corporate social responsibility environmental aspects, e.g., reducing direct impact on the environment by managing waste, emissions and consumption of natural resources. The Working Group did not directly include this in its inquires, as it will be embedded through Green Sefton initiatives and can be included as part of the overall revision of updating policy on Corporate Social Responsibility/Ethical Business Practice.

What consultations have taken place on the proposals and when?

The Head of Corporate Resources (FD5887 /19) has been consulted and notes there are no direct financial implications arising from this report.

The Chief Legal and Democratic Officer (LD4071 /19) is the author of the report.

Head of Strategic Support and Head of Highways and Public Protection were involved in Working Group meetings

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Background Papers:

There are no background papers available for inspection

Introduction/Background

At its meeting held on 11 September 2018 the Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) approved the establishment of a Working Group to review the topic of the Council's Ethical Business Practices with the terms of reference and objectives set out below.

The Committee on Standards in Public Life, which is responsible for promoting the Seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, leadership) to all those involved in the provision and delivery of public services, published a report in May 2018 "The Continuing Importance of Ethical Standards for Public Service Providers", which was a follow-up to their 2014 report on this issue.

The report identifies that the public want services to be delivered responsibly and ethically, regardless of provider and that high ethical standards need to be applied when managing public money. The report further states that, where this involves commercial arrangements, it is incumbent on government to design service delivery and manage the life cycle of the contract in such a way as to engender and reward high ethical standards. Clearly this is equally applicable to local government.

In last couple of years Sefton Council has agreed a number of motions and actions relating to ethical business, including: UNISON's Ethical Care Charter (February 2016) and Unite's Construction Charter (September 2018).

A number of other Councils have sought to address this, including: Birmingham [Birmingham Business Charter for Social Responsibility](#) Dudley [Suppliers Code of Practice](#) and Preston [Fairness Charter](#) and the Working Group considered these approaches and others in order to both benchmark Sefton's position and identify appropriate and workable future approaches.

To review the topic of the Council's Ethical Business Practices, considering:

- Current Sefton practice
- Current good practice within other local authorities or similar organisations
- Areas of good practice within the Council's practices
- Areas for improvement within the Council's practices
- Recommendations for improving the Council's practices
- The provision of a policy for the ethical business practices of the Council in respect of investment, procurement and commissioning

Accordingly, the Working Group met on five occasions to undertake such review and its Final Report, together with associated recommendations, is attached.

To set the context for the recommendations, the provision of a policy for the ethical business practices of the Council in respect of investment, procurement and commissioning can be defined by the EU definition of Corporate Social Responsibility (Ethical Business Practice) as 'the responsibility of enterprises for their impacts on society and organisations should have processes in place to integrate social, environmental, ethical and consumer concerns and ensure that these are embedded into their business operations and core strategy'.

The Working Group agreed that Corporate Social Responsibility was a good overarching context for improving social impact / social value, embracing the impact of: what we do; how we do it; and what others (contractors) do for us.

An example of how this can be achieved is by the attached flowchart [Delivering Social Value within a Corporate Social Responsibility Framework](#)

Regarding Public Sector and Corporate Social Responsibility, the nature of public sector services reflects many of the principles of Corporate Social Responsibility/Ethical Business Practice. To embed Corporate Social Responsibility/Ethical Business Practice an organisation needs to be operating in line with good Corporate Social Responsibility/Ethical Business Practice in its various roles as service provider, purchaser, employer and its engagement with the public as consumers, customers and clients.

For the purposes of the Working Group the term Ethical Business Practice was used which encompassed several key elements of Corporate Social Responsibility. The Working Group focussed on:

1. Proposing a revised **Ethical Investment** Policy/Strategy
2. Proposing a revised **Ethical Procurement** Policy/Strategy to embed Social Value

In respect of the Environmental Aspects of Corporate Social Responsibility there were also CSR Environmental aspects, e.g., reducing direct impact on the environment by managing waste, emissions and consumption of natural resources. The Working Group did not directly include this in its inquires, as it would be embedded through Green Sefton initiatives and can be included as part of the overall revision of updating policy on Corporate Social Responsibility/Ethical Business Practice.

Finally, and in respect of the Ethical Procurement Policy (including Social Value) the legal position regarding social value in procurement as defined in the Public Services (Social Value) Act 2012 was used; and the statutory duty to consider the social value of public services on contracts above the European Union procurement thresholds. The position regarding social value in procurement as defined in the [Contract Procedure Rules](#) was also considered

The Working Group recognised much of the good work already taking place in relation to the above and that the policy should focus on continuous improvement.

The Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services), Cabinet and Council are requested to support the contents of the Working Group Final Report and approve the recommendations contained therein.