



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

(Reference: [ACT government procurement](#))

**Members:**

**MS C LE COUTEUR (The Chair)**  
**MR B SMYTH (The Deputy Chair)**  
**MR J HARGREAVES**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**THURSDAY, 29 APRIL 2010**

**Secretary to the committee:**  
**Ms A Cullen (Ph: 6205 0142)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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## **Privilege statement**

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*Amended 21 January 2009*

## **The committee met at 9.04 am.**

**DANIELS, MR MARK**, Manager, Learning and Development, Social Traders

**THE CHAIR:** Welcome to this public hearing of the Standing Committee on Public Accounts inquiry into ACT government procurement. I welcome Mark Daniels of Social Traders. There is a privilege statement—that pale yellow one—which I understand your attention has already been drawn to. You do not want me to read it to you, which is a plus for everybody. Can I invite you to make an opening statement?

**Mr Daniels:** Thank you. How much detail do you want me to go into? I am making a presentation to the public hearing on ACT government procurement. I should probably tell you who I am and where I am from. I work for an organisation which is based in Victoria. It has a national focus and it is called Social Traders. The purpose of the organisation is to support the development of robust social enterprises in Australia. We do this through a whole range of mechanisms. We are trying to build the evidence of social enterprise. We are trying to understand what its contribution to society is and promote that information. We want to build the capability of people running social enterprises in Australia. We want to make investment available to social enterprises in Australia. We want to grow the markets for social enterprises in Australia and we want to create a voice for social enterprises in Australia.

We are like an industry association. Half of our funding is from the Victorian state government and half of our funding is from a philanthropic trust. We are based in Victoria, with about six staff at this point. We run a range of programs, research and policy initiatives and we are about to work with eight to 10 social enterprises in Victoria. We are going to invest \$1 million in those social enterprises. We will do that sort of investment every year to build the capability of up to 10 social enterprises and we will work with them and corporates and others to build their expertise and excellence.

One area that has come up as a result of a lot of work around social enterprise in Australia, probably in the last five years, is the concept of social procurement. I want to talk a bit about social procurement. I will make a bit of a statement. We did not do a submission so I am quite happy to be led by you a little bit on what you would like to elicit from this conversation. I have got notes and I am quite happy to go through those as well.

Social procurement really became an interesting opportunity for a whole range of reasons. I guess I should make an assertion and a bit of a statement and then I can talk about it in a bit more detail. My assertion would be that there is a broad range of community benefits that can be built into any contract with little or no impact on the cost or quality of the delivery of the service. Social procurement provides better value for money because it adds a whole lot of benefits that would not be purchased otherwise. It can occur through tenders in the open market or through processes targeting social enterprises, at the exclusion of non-social enterprise markets. So there are two concepts here. In fact, there is probably a whole suite. I will go through the suite with you in terms of mechanisms for social procurement or roles that government could play in social procurement.

We are seeing governments and business beginning to utilise social procurement, either through social enterprise delivery or through commercial delivery, as social outcomes as organisations become aware of the power of their purchasing, as in delivering social change. This is an ambit statement, because I have not done the research on the figures, but based on the Productivity Commission review that recently occurred into the not-for-profit sector, there is about \$2 billion to \$3 billion of government money going into the not-for-profit sector on an annual basis. The not-for-profit sector is a lot bigger than that.

What we see is that there is a limited pool of government funding that can reach not-for-profits in the delivery of social outcomes. What we see in procurement purchasing is a massive pool of money that is not being tapped into to deliver social outcomes. So the fundamental premise of social procurement is: how can you unlock the money that is spent on the buying of goods and services to deliver social outcomes, fundamentally, or public benefit—whatever language you want to use in this case?

For the purposes of definition, and there is not an agreed definition on what social procurement is, it is purchasing processes adopted by institutions or organisations. I am sorry, I just want to clarify what it is not as much as anything. It is not the delivery of social services such as community health, drug and alcohol or homeless services by not-for-profits. It is not standard traditional services that are embargoed or targeted to not-for-profit organisations. It is the delivery of the provision or delivery of goods and services that would otherwise be available to the open market to respond to, fundamentally. So social procurement is looking at that end of the spectrum and is about delivering public benefit through purchasing. It is specifically seeking to deliver public benefit through purchasing. It goes beyond the goods and services purchased.

I would say, generally speaking, that Victoria and Queensland have taken a lead in this space in terms of a public policy discussion and in terms of enacting social procurement models. I am really happy to go through some of those examples. When I arrived here there was some discussion around the mechanisms to do social procurement. I will brush over some of those, but I would like to spend some time just walking through a table with you that outlines some of the roles that government can play in this space and how it can work.

Just to make a statement around how it can occur, there are a couple of things that have happened. It is not widespread—that would be my first observation of social procurement in Australia. NGOs probably do it a lot more than government and for-profit businesses. They culturally get it quickly; they do not have the risk-averse nature, I guess, of government and corporates, in particular, who have a corporate bottom line. Often they are doing it without publicising what they are doing. I could give you 100 different examples of not-for-profits socially procuring. They do not have the same barriers. That would be my first observation.

In the UK, community interest clauses have been developed. They have chosen to adopt a specific model which is identifying through a clause, and inserting it into a contract, the social outcomes that they are seeking to purchase through that contract, as well as the service and product outcomes that they are seeking to deliver. I would make the point that in Victoria—I will talk about Victoria because I am very knowledgeable about the Victorian context—there are some really good examples.

In Victoria, about the same time as they were developing community interest clauses in the UK, the Victorian government was developing the employment of public housing tenants clause. The Department of Human Services and its Office of Housing in Victoria in 2002 developed a public tenant employment clause. That was inserted into a contract in 2003—a commercial contract worth \$1 million. Just to give you the example in that instance, the contract was identical to any other commercial contract that DHS would have let at the time. It went to the market in exactly the same way. It had a three-page insert that was called the “public tenant employment clause”.

That \$1 million cleaning contract required that 35 per cent of the workforce be employed from public housing tenants on two high-rise public housing estates that were being cleaned. It was a \$1 million cleaning contract with 30 EFT attached to it. The contractor who won the contract was a commercial contractor. That organisation in 2010 still has the contract for that site and still employs over 35 per cent of its labour force from public housing tenants in those communities. In fact, they have exceeded all expectations. They have got 15 EFT public housing tenants because they were concerned about falling below the 35 per cent mark and breaching their contract. They knew they were a demonstration project.

The outcome of that has been the development of the public tenant employment clause, which is now being universally applied to all service contracts in the Office of Housing in Victoria. There would be \$100 million worth of contracts annually that have public tenant employment clauses attached to them. They are now looking at its application in other departments in Victoria. There was rigorous legal advice at the time on that contract. It has got ministerial sign-off and it is now part of the policy of the Department of Human Services in Victoria. That has created over 400 jobs amongst public housing tenants in Victoria.

So \$100 million worth of leverage has created 400 employment opportunities. Some of them are revolving opportunities where the jobs open up every year. Some of them are not revolving opportunities. The same people have been in the same jobs for the last eight years. But they are still public housing tenants working, basically. The tenant employment clause is one model, which is also consistent with a community interest. It is the same model as they use in the UK. It just happened in parallel and was not really informed by the work that they were doing at the time.

There is a really interesting example, and I brought a contract with me. It is another DHS example. DHS actually led the way in Victoria because of their community-building agenda. They run all of the community-building projects. Housing has probably the closest alignment to employment and training of any department in Victoria.

There was a joint venture initiative. The Department of Human Services undertook a joint venture with a charitable organisation called the Brotherhood of St Laurence in Victoria. That joint venture lasted about four years. Basically, it bypassed the tendering process. They used a funding service agreement, as opposed to a contract tender. In 2009, they ended the funding service agreement. They put it out to contract. This was a concierge service on a high-rise estate. It is hard to explain and I could go into it in more detail. I have got the contract here, so if you are interested you can look

at that.

**THE CHAIR:** Yes, thank you.

**Mr Daniels:** It is a really interesting contract because they took the learnings of four years of a joint venture where they were sharing some of the risk of this work. Training and employment were built into this model. There are 20 public tenant employees attached to this social enterprise. There are 11 high-rise towers involved in this at Fitzroy, Richmond and Collingwood in Melbourne. It is a \$900,000 or \$1 million contract, roughly. There were a lot of learnings over the first four years. DHS was not prepared to continue to adopt the funding service agreement so they said, "We'll go to the market with this. We'll run a commercial tender." They put the tender out to the market about eight months ago.

The tender stipulated all of the social outcomes that they were seeking to achieve from the contract. I have got it here. What is interesting is the wording. I will give you a sense of how they made stipulations. It is a 30-page contract, as they all are, a 30-page tender for agreement. I will just give you a sense of what they stipulated. It is called the "community contact service". In it they said: "The community contact service has been developed using an intermediate labour market model. In addition to the provision of concierge information and community development services, it provides a mechanism for delivering training and employment opportunities to assist public housing tenants to gain access to the labour market. Services required for the contact service include neighbourhood services, intermediate labour market services, controlling building access, assisting with community events and community facility management."

It went to the market and there were two organisations that tendered for it. One was a not-for-profit and one was a for-profit provider, which was a security services provider on those estates. By stipulating the outcomes, it was a very even playing field. But the organisation with the right expertise in terms of delivering the whole suite of services was a social enterprise in this instance. For me, that was taking this to its natural progression, which is putting to the marketplace exactly what you want to buy.

If I were to compare the outcomes to a straight security service, I would say the cost is probably five per cent above what a straight security service would have been in those communities if you wanted to cost the impact of 20 jobs for long-term unemployed people in a community where there is 95 per cent unemployment, which is pretty much every public housing community in Australia in my experience. But, when it is concentrated into three estates where there are 3,000 households, it is incredibly marked, the change. When people see people from their community or a neighbouring community working in the base of the towers, the ripple impact of that is quite staggering.

I used to work at the Brotherhood of St Laurence. We did a cost-benefit analysis of that and we found that for every job, for every dollar of investment, there was a return in the region of \$14 to \$22, mainly the federal government, and this is always a challenge for local and state government, but the community building benefits and stability in those communities generated by this are incredibly significant. So there

was a security service being delivered on these estates—there still is—but what they chose to do was take out one of the shifts of that service so that the security service guys run between 8 am and 4 pm five days a week. The rest of the time they have a security guard sitting at the same desk but who does not deliver the holistic service that the contact service does and does not provide training and employment for the people who work there. It is simply the operation of a restricted access system.

I wanted to give that example because I think there is a lot of learning that occurred over a four-year period that allowed them to take it to market, and that is what they did. They knew exactly what they could ask for in the tender guidelines, so I think that concept of a joint venture is an interesting one to try and understand and share the experience with a social enterprise in terms of learning some of the learnings, or developing a social enterprise is an outcome of this.

I also have a sheet that I would like to share with you. We are actually doing some research at the moment around social procurement and you would be really interested to know that, after a lot of lobbying, our great concern was that social procurement had not really been enshrined in policy in many locations and we wanted to explore in particular with the Victorian government the way that could work. So we started a research project with the state arm of local government, and they have been incredibly supportive. They are doing a major procurement project in Victoria, supporting local government across Victoria to improve their procurement processes. They saw social procurement as an opportunity to build into the support that they were providing to procurement offices across Victoria another vehicle that local government could use in their procurement suite.

In about two weeks time we are running a workshop and we have developed guidelines for social procurement in local government in Victoria. That tool we are road testing, I think on 11 May, with a workshop, and then over time, after 1 July, it will be rolled out as part of this Victorian initiative, which is getting procurement support workers into nine regions of Victoria to work with the procurement officers in local government.

That broader project is about aggregation and all sorts of things, but what we are bringing to this is an element of social procurement as well, so we will be assisting them in the rollout of that, providing some training and information. Obviously I do have a document to bring today. We are not actually doing the research; we are part of the commissioning organisation, we are on the steering committee et cetera. But this is one of the products of that and it is a framework of purchasing engagement. It is basically saying, for local government, there is a range of levels that you can engage at in social procurement—the same as state government—and as you run from left to right the level of commitment becomes greater, basically.

So some local governments do not want to buy; they feel a little bit uncomfortable with it and they have to convince the councillors and there is a whole process of activity that needs to occur, so they will engage at a promotional level if they choose to engage and it would be about awareness raising, championing the idea, but it might be championing it amongst local businesses, for example, suggesting that they might become involved in social procurement. Then there are capacity-building programs. Building the capacity of local social enterprises to tender for contracts, for example, is

one method of getting involved in this.

As you move along, clearly a distinction between purchasing and procurement here is that purchasing is not very systematic in the way that purchasing occurs. It tends to be one-off and random or it is below the threshold levels that are enforced by your procurement guidelines. So, if you are buying \$5,000 of catering—I do not know what the situation is in the ACT but in Victoria there are certain thresholds in terms of how public you need to be in the process. So in purchasing, it is really looking at that middle phase where people are buying but doing it in a discretionary way that is below the radar, generally speaking, so one-off direct purchasing, an ongoing single purchasing relationship. That might be buying all your catering from that organisation but not having a contract in place, just an agreement.

Then, I guess, the next level is an MOU type of relationship. I have been involved in a couple of MOUs in running social enterprises where we did not have a formal contract in place but sometimes large amounts of money—we had a \$300,000 contract to do street cleaning in the city of Yarra in Melbourne when I was working at the Brotherhood of St Laurence and it was based on an MOU and it actually sat comfortably within the Local Government Act and it did not need ministerial approval. Again, I can provide a copy of the MOUs that we were using at the time. It was a way of bypassing some of the scrutiny and it was a way for all of us to sort of see how it worked. In this case, we had never done street cleaning before, so it was not as though they could just buy a service from us as an organisation. We had been doing concierge work and commercial cleaning. So there was an element of shared risk in what we were doing and that MOU sat well in terms of sharing risk. That really was a joint venture initiative in that way.

The right end of the spectrum in this instance is around procurement so these are probably the models that most relate to this discussion today. There are three or four models on the table. One is direct subcontracting, one is social clauses, one is social tendering and one is mainstream procurement, and mainstream procurement I do not think we need to talk about heavily except to say that this has been a pretty common model in the UK, which is trying to build up the capacity for social enterprises to win contracts in commercial environments. It has had pretty limited success, I would say. That is a social enterprise specific model.

I will take a step back. What I have been talking about are two types of procurement. The social clauses are about going to the market with social outcomes that you want to buy. That is not about social enterprise per se. It supports social enterprise. It certainly tilts the playing field towards social enterprise, but a lot of commercial providers would happily win those contracts and they would seek those contracts and feel that they could partner with others to meet those obligations. There are some great examples where they are subcontracting social enterprises as a model of their approach.

Then there is the social tendering model and that is about identifying social enterprises as the deliverer of a contract and embargoing works for social tendering or in some cases actually identifying a panel of social enterprises that could deliver that. I am on the board of a housing association. We recently tendered out a cleaning contract. We only invited social enterprises to tender for the cleaning contract, so we

went to 10 social enterprises. We got the best price and the best value for money for the delivery because we wanted to buy social outcomes as well.

Then there is subcontracting and there are some really interesting examples of this. You cannot force anyone to subcontract through someone; I think it is called third-party forcing. But there are some really good examples. I think you were talking about Brisbane earlier, about going to the organisation after the event and suggesting that they work with a social enterprise. That tends to be the model around direct subcontracting, sort of making people aware, even in the tender process, that these organisations deliver these sorts of outcomes and they will assist you in meeting the obligations that you are about to tender for.

I know the Victorian government have done that and I know the New South Wales government have just done that in quite a significant way with an organisation called Fair Business. Fair Business are now subcontracting to Spotless as part of a major maintenance contract and there is a heavy expectation from the New South Wales government that they will use Fair Business in the delivery of that model. I do not know the details of exactly what that will look like but I am very aware of the subcontracting model and I am aware that bringing together subcontractors with contractors, even during the tender process, is actually a valuable way of doing that if you are stipulating certain social outcomes.

I would also go to the point of saying—you probably do this already—that you stipulate. In New South Wales that was a response to a pretty standard shift over time towards including some traineeship expectations in all of their contracts and, if you looked at the federal stimulus package, there was a 10 to 15 per cent expectation of traineeships delivered through the contract. So this stuff is already happening all over the place but people are not calling it social procurement. In a recent conversation with Spotless, they actually said, “We are just finding that more and more contracts are expecting us to deliver some sort of social benefits.” It was interesting to hear that from a provider perspective, that they are actually finding that, and their biggest client is government, so they are finding government starting to ask for these sorts of things.

I will stop at this point. I have done my introductory statement—it has only taken me half an hour—and I am really happy to just have a conversation now. I am sorry I spoke for so long.

**THE CHAIR:** I am not sorry that you spoke for so long, because it was really fascinating. It would be good to spend longer. There are so many possible questions. One is that you have been talking mainly about using unemployed or public housing people. How many of these are disabled employees, multicultural, English as a second language? Are they further out into the community?

**Mr Daniels:** Yes, absolutely. It is an interesting question. It is about understanding how you can word it without being—we are discriminating; that is the nature of what we do here. Disability agencies have been winning contracts on the basis of whom they employ for a number of years, but I have not seen the contracts particularly stipulating it. So in my experience I have not seen them but I cannot see why you could not apply the same logic and rationale to that in this instance. It makes a hell of a lot of sense to me.

**THE CHAIR:** Have you seen any contracts where there has been a cost allowance or—

**Mr Daniels:** Yes.

**THE CHAIR:** if you employ X per cent then you—

**Mr Daniels:** The South Australian Housing Trust has a model where they expect commercial tenders and they also have another pot of money which comes from another arm of government which is made available to successful commercial tenderers that deliver the social outcome. So for them it is about government saying that the social outcome should be paid from another arm of government, not from the contracting arm of the government. So, if we are looking for landscaping services, parks and gardens will pay for the landscaping service and the social arm of government will pay for the social benefits that are derived from it. So the housing trust in South Australia has actually taken that model up, and Boys Town, which is a large NGO, has been working in South Australia and been given a 10 per cent premium when they win those contracts. They have to win in it on a commercial basis, though. It is an interesting model. So they have to have a good commercial bid and then they will get the top-up on top of that.

**MR HARGREAVES:** Mr Daniels, you are obviously very enthusiastic about the social enterprise type approach?

**Mr Daniels:** I am.

**MR HARGREAVES:** I think it is quite likely to be infectious. I am interested in a couple of things, and we will continue the conversation later on, but I do like to get these ugly ones out of the way. You have told us how the insertion of community interest clauses has been successful, and I think that is something we would explore. We have actually done a little bit of work around that sort of thing with the disabled in our horticultural contracts. Mr Smyth would remember those. You have told us some of the success stories. Have any of these activities gone pear-shaped, and why?

**Mr Daniels:** It is a really good question.

**MR HARGREAVES:** It has to be addressed.

**Mr Daniels:** It is a completely valid point. I could cite a few examples. Usually, if it goes pear-shaped, it is because a social enterprise does not continue to exist. There are a couple of things. One is that a lot of established social enterprises have been operating for a number of years. Where I have seen it go pear-shaped is where an organisation has been in a new space, and I would acknowledge that I was running one of them. We were doing it with a council in Victoria called Maribyrnong council and we had an arrangement where we delivered HACC services at home. So we did the lawns and some general house maintenance on the outside. We did not do enough due diligence in putting this together and we found that, after probably 12 months, it was costing us too much to deliver that contract and we had to find a way out of delivering that contract. For them, it was annoying because they had to go to tender

again to find someone to deliver that contract.

As an advocate for social procurement, it was not a good one for me. It was good for me to experience but it was not a good thing, though, for their desire to go and do this again. But the wearer of the risk—you control risk, ultimately, I guess, as the person letting the contract. I would say that you have to apply the same due diligence to a social enterprise as you would apply to any contractor that is winning the work. Where there are risks, you have to look at how big those risks are and whether there are ways of mitigating those risks.

**MR HARGREAVES:** The sense I am getting from you is that they have gone pear-shaped because the processes engaged were engaged by people who were lacking in a little bit here and a little bit there in terms of the administration of the process, which can be addressed by training and by process, actually.

**Mr Daniels:** Yes.

**MR HARGREAVES:** That does not necessarily mean that the concept is flawed; it just means that that particular administration was.

**Mr Daniels:** That is right.

**MR HARGREAVES:** Do you know of any that have gone pear-shaped because the social outcomes—

**Mr Daniels:** Compromised the delivery?

**MR HARGREAVES:** Yes.

**Mr Daniels:** The social enterprise would wear the costs, in my experience. Let me give an example. I ran a cleaning business. That was one of the things we did at the brotherhood. We had a commercial cleaning business. We delivered a great social procurement model. Our first two contracts were with the brotherhood and with another large NGO called AMES, a multicultural education service. We had \$200,000 of contracts with those two organisations. Just to give you the model quickly, we employed long-term unemployed people; we trained them up as cleaners. They worked in small teams delivering commercial office cleaning.

I think that we failed initially because we took 10 unskilled people on at once. It would be like a cleaning company starting with 10 people who did not know how to clean and being expected to deliver at an acceptable standard on day one. What we learnt within 12 months was that we could only take on one unskilled person at a time and we could soak them into the organisation. Within a month, they would have the skills to deliver at about 90 per cent; within three to six months they would be delivering at 100 per cent of the standard required. So there was a refinement of the model over time.

The real risk is that an organisation does not learn that lesson or that the buyer is not patient enough for them to refine their model over time. To tell you honestly, I cannot think of any examples where social enterprises were not able to deliver the quality

that was required in social procurement environments, but I have seen them fail in the marketplace quite often because they were not quick enough with their food delivery, for example, in a catering service. There was a 12 o'clock deadline, it came at 12.30 but the meeting finished at 12. Getting the meal at 12.30 did not do me any good, basically. And the commercial reality is that that business did not continue to exist.

You certainly will get issues, but the more established the business the less likelihood that you will have any issues whatsoever. There are social enterprises that have been running for 100 years in Australia. Our building is cleaned by a social enterprise cleaning company. There is actually no difference in the quality or the price from any commercial operator.

Yes, there is a risk, but I think that the risk can be mitigated. I think the greatest risk is when someone is starting a new business and you are their first contract. And that is the nature of a joint venture for me: "We understand that you're learning on the job and we're patient and we'll work with you a little bit through this."

**MR HARGREAVES:** That has to be the big message, doesn't it? If I am buying from a for-profit organisation, I am entitled to no patience whatever.

**Mr Daniels:** Correct.

**MR HARGREAVES:** You deliver it, or on your bike.

**Mr Daniels:** Absolutely.

**MR HARGREAVES:** Whereas with a social enterprise, I am obliged, because I am investing in human capital here, to apply a certain degree of patience to this sort of thing to enable that social enterprise to grow and become effective and therefore lessen the risk going forward.

**Mr Daniels:** Yes. But, when they are grown and effective, you should expect them to deliver from day one in exactly the same way as you expect any other to deliver on day one.

**MR HARGREAVES:** The tendering trick or the procurement trick is working out where that line is. I am taking it from two perspectives. The first one is from government actually receiving the services and contracting out, and we do this not as well and not as often as we should in government. But I am also considering it in terms of government being a leader, because I do not see why the Commonwealth Bank cannot go down this same track, except they are a bunch of avaricious, money-hungry bastards. Apart from that, I do not have anything to offer. There is no reason why a lot of these other big corporations cannot actually embrace it, but government taking the lead would presumably enhance that.

**Mr Daniels:** Yes.

**MR HARGREAVES:** But I cannot see a commercial for-profit board being terribly patient with anybody.

**Mr Daniels:** No.

**MR HARGREAVES:** Except for that fun thing that you had so much money invested in; apart from that.

**THE CHAIR:** Apart from that one, yes. I can see the reasons why they might amend this. Corporate social responsibility is at least fashionable.

**MR HARGREAVES:** It is fashionable, maybe.

**THE CHAIR:** And a lot of people even think it is a good thing.

**Mr Daniels:** We do have a few corporates who are interested, just to let you know. They are seeing some benefits in this.

**MR HARGREAVES:** That is good.

**MR SMYTH:** You mentioned that you are launching the tool in Victoria. Can you describe what the tool is and what it will do?

**Mr Daniels:** The tool is guidance for local government on how they can socially procure. So it is things like, “These are the roles you can play,” like the thing that I just provided you with. It is also looking at the legalities of it, so telling local government: “This is legal and you can do it. We’ve looked at all of the free trade agreements and the relevant acts and there are no barriers to this from a legal perspective and here are the models that you can use in the delivery of that.” I am hoping that it will elaborate more on that sort of table that I have just provided you with. So it will go into what is involved in social tendering. It will provide case studies more often than not.

**MR SMYTH:** When do you expect that to be available?

**Mr Daniels:** By the end of May.

**MR SMYTH:** Would it be rude to ask you, when you have it available, for a copy to be provided to the committee?

**Mr Daniels:** No, I would love to. In fact, we should have a draft in early May which I would be happy to send up as well.

**THE CHAIR:** That would be lovely.

**MR SMYTH:** In the early introduction to your introduction, you said that social procurement provided a range of benefits at no cost. But I do not think you elaborated. What are they?

**Mr Daniels:** It depends on what you want to buy, I guess. You cannot quantify it as one set. It would depend on the enterprise. If you are employing disabled people, what are the benefits? If you are a social enterprise located in a place, which is my background, what are the benefits of the job in a disadvantaged community and to the

people around that job that are inspired by seeing someone working in that workplace? What are the health, housing, justice benefits generated by people being employed? If you are looking at it in an employment model, what are the benefits? That social enterprise may have an environmental bent as opposed to an employment bent. So what are the benefits of an organisation that has low food miles attached to it, if it is a food-providing organisation? One comes to mind that employs migrants. It also links farmers from rural areas with people in cities. This is a Brisbane social enterprise. It also makes fresh organic fruit and veg available to people who otherwise would not have access to that product. For me, it is about saying: how do you truly cost the public benefit of this model? SVA is doing some work around how you do measure those things.

**MR SMYTH:** What is SVA?

**Mr Daniels:** Social Ventures Australia. But there is an acronym for this, too. It is called SROI—social return on investment. One of the issues for policymakers is understanding what you are buying and what the value of what you are buying is. You are buying a good or a service; that is a given. But you are also buying all of these social outcomes. And what is the value of the social outcome that you are buying? It goes way beyond the good or service that you have just purchased as well. I think that needs to be part of a policy model—that if you are buying, you need to understand and be able to argue for the added value that has been provided, based on the model that you are adopting. There may be some costs. A contact service is a good example. It is five per cent above a straight security service. But the value generated by it is extraordinary in a community that is highly disadvantaged. You could quantify that value. It would just take time. You may not be prepared to pay for that quantification because that might be another \$30,000 on top, but you might say, “You need to tell us how many jobs.” There might be output measures that you can easily capture as well.

**MR HARGREAVES:** You mentioned in Victoria that there is an allowance by one arm of government—

**Mr Daniels:** No, this is South Australia.

**MR HARGREAVES:** I beg your pardon. I am really interested in that model because I think it is starting to qualify. If I am a social enterprise and I am tendering and win it, because the client department thinks it is a great idea because I am going to have all of these social benefits, but I am dearer than a commercial enterprise, that extra difference is what you are telling me is picked up. But what we were struggling with earlier was to quantify the value of the social benefit that has attached itself to it. Are we any closer to knowing how to do that?

**Mr Daniels:** Yes, that is what I am talking about. SROI, social return on investment, is a way of saying—

**MR HARGREAVES:** Is that a formula that we can apply to any old contracts?

**Mr Daniels:** It is a form of formula, but it is not a cheap formula. It uses proxies. What is the value of creating a job for someone who is unemployed for five years? There are proxies for that now, so you can say, “That’s worth \$50,000.” What is the

value to the justice system, the health system et cetera through employment? There has been research done on that as well, so there are proxies for that. Yes, there are proxies that can tell you, but it is not a cheap process.

**MR HARGREAVES:** I understand. We were applying that with our justice system.

**MR SMYTH:** Where would you find guidance on the process, though?

**Mr Daniels:** These guys over here would be a really good resource in terms of—

**MR SMYTH:** I am sorry, the *Hansard* does not pick up—

**Mr Daniels:** Social Ventures Australia.

**MR SMYTH:** Mr Daniels indicated with his right hand two women in the front row! So you guys are from Social Ventures Australia.

**Mr Daniels:** They are probably one of the leading organisations in terms of measuring the impact of investment in the social. Just to give you a sense, in their case they are a venture philanthropy organisation. Instead of the financial return on the investment, they look at the social return on the investment. When they look at a philanthropist they can say, “If you invest in this, the benefit will equate to, for every dollar you invest, a \$30 return—not to you but to the public purse.”

**MR SMYTH:** You mentioned the study that I think you said the brotherhood did.

**Mr Daniels:** That is right.

**MR SMYTH:** Where you saw a return on investment of somewhere between \$14 and \$20.

**Mr Daniels:** Yes.

**MR SMYTH:** Can you explain a bit more about that? Is a copy of that report available?

**Mr Daniels:** Yes. I do not have one with me, but I will email it through. I was working for the organisation at that time and we contracted an organisation called Allen Consulting, which is an international consulting company, to look at a model that would measure the benefit to the public purse from the model of social enterprise that we had been utilising, which was called an intermediate labour market.

An intermediate labour market basically moves someone from long-term unemployment, holds them in a social enterprise for 12 months and gives them the training, support, work experience and self-esteem that they need to then access a job in the open labour market. We were working in skill shortage areas so there were nice pathways to work for those people at the end of that time. Probably 70 to 80 per cent of the people we employed moved on to the open labour market at the conclusion of that time.

We had a commercial cleaning business—I will try and race through these—a concierge, a landscaping business and we did energy retrofitting as well. We had about 40 people coming through that business every year. It was a very complex formula, but that is the document that I will send forward. All we did was measure the savings to Treasury. It was federal savings, basically. That was the easiest thing to measure. Trying to measure the impact on housing, health, justice, education et cetera was quite complex.

When someone goes off unemployment benefit, goes into a job and starts paying tax, the savings to government are significant immediately. We were pathway people, so every year, say we were employing 25 people every year, those people would move on and then we would employ 25 more. That would compound the effect. So not only were those 25 benefiting but the ones who were with us the year before were benefiting.

Built into that model was an acceptance that there was displacement occurring in the marketplace. Every time someone had a pathway out it was not necessarily meeting an unfulfilled need; they were displacing some people during that time. We also acknowledged that they would be in and out of the workforce for the rest of their working life and we assumed that they were about 35 years old. That was the average age of the punter that we took.

We are basically saying about this intervention in 2009 or 2010 that we made assumptions about the impact that it would have on their working life, given that 70 to 80 per cent had a pathway into jobs and sustaining those jobs, based on the research that we had at that stage. We were able to say, based on that, that given that there will be some displacement, given they will be in and out of the workforce—because that just happens as a matter of fact—and that they will probably work, on average, to the age of 60 or 65, we were getting, at the conservative end, a \$1 to \$8 outcome and, at the optimistic end, a \$1 to \$22 outcome.

**THE CHAIR:** In the ACT it seems that some enterprises have social outcomes as part of what they want, but for others it is just not part of their criteria. Can you think of a way that a central procurement agency—we have one called Procurement Solutions—can put that on? It is not that the agency is against it but it is just not part of its agenda.

**Mr Daniels:** Not beyond training, I would not have thought, and raising people's awareness and citing great case studies as examples. The stuff we are doing in Victoria is part of a larger national study into social procurement. It will have 10 or 15 case studies of really effective social procurement across Australia and great examples of social enterprises.

I actually think that if you were to take baby steps in this space it would be about understanding the spectrum and where they need to start. I will give you a really interesting example—the Department of Human Services. Despite all the interesting work they have done over the last eight years, someone from their procurement contacted me a couple of months ago and said: “Our secretary is really interested in social procurement, but they want to do it below the line. Can you tell us all the catering services that are social enterprises in Victoria and we will let all of our

regional offices and housing offices know to buy their catering services from this organisation, because it is a discretionary budget?”

I do not really know why they felt they had to do it in that way, but they just felt that that was an easy way to deliver greater social outcomes without really challenging the organisation. It was not a critical issue for them. It was not a concrete slab in a skyscraper. This was the catering for the team meeting that you have once a week, for example. So maybe the progression for me is: how do you do it? The culture is the biggest challenge. How do you build a culture without telling them that they have to do something and legislating it almost?

There is a program of taking people to social enterprises. That has worked really well in Brisbane. They have taken the whole procurement team out and shown them social enterprises that are successful and effective. In Brisbane they started with very small amounts of money. They have documented it and have celebrated all of their social procurement outcomes. It has been endorsed from the CEO right through to the procurement arm of the organisation. So the champions are not at the officer level; the champions are at the CEO and councillor level. They have not tendered large amounts here. They started off with someone in the landscape department, or parks and gardens, who was interested in it. That was the first person and he did it without a policy. He just sort of wangled it. This group called the Nundah co-op were given three parks to maintain, basically. They were parks that no-one wanted to do. The contractors were not all that excited about these parks. They were not profitable parks, for example.

Nundah co-op started out and suddenly they started to explore procurement in other arms of that area—parks and gardens, which is a massive area of Brisbane City Council. It is a monstrous organisation. Then it reached the whole procurement team. It went out of the department to the procurement team. The procurement team said, “We need a policy around this.” They started to develop a policy. They all became quite excited about this as a process. Then they started to get attention from other councils around Australia, saying, “Tell us about how you’re doing this and what it looks like.”

Now they have a policy. It is not very public, but they do have a policy. They are on the speaking circuit in terms of talking about what they are doing. It seems to be slipping into other contract areas at the same time. I think there is an element of drip here. DHS is a great example. What Housing does, no-one else does in DHS. I have spoken to Disability Services in DHS and said: “There are so many social enterprises out there. How many are you using?” They said, “We don’t look at them as potential deliverers of our goods and services, apart from standard day centres and those sorts of things.”

I just think it is about what they call “intrepreneurs”—getting the right people in the organisation to embrace it. In the UK they have used a lot of training. The bulk of their work in the UK has been, rather than focusing on social procurement, on building the capacity of social enterprises to win contracts. That has involved educating procurers, bringing them out into the market to work with the social enterprises to build their capacity as well. Those are just some thoughts. We have not done a lot of work around that either.

**THE CHAIR:** Thank you very much, Mr Daniels. It has been incredibly interesting. Unfortunately, it is 10 o'clock and we have another set of witnesses to come. We will be in contact with you regarding the documents you said that you would have for us. They will be really interesting.

**Mr Daniels:** I have a couple here. I will leave these with you. This is a contract that DHS have let.

**THE CHAIR:** Thank you.

**FORD, MS LOIS**, Executive Director, Disability ACT, Department of Disability, Housing and Community Services

**OVERTON-CLARKE, MS BRONWEN**, Executive Director, Policy and Organisational Services, Department of Disability, Housing and Community Services

**SHEEHAN, MS MAUREEN**, Executive Director, Housing and Community Services ACT, Department of Disability, Housing and Community Services

**THE CHAIR:** We will resume this public hearing of the Standing Committee on Public Accounts inquiry into ACT government procurement. You all know the drill with the privilege statement. I welcome the representatives of the Department of Disability, Housing and Community Services—Ms Sheehan, Ms Ford and Ms Overton-Clarke. Do you have an opening statement that you would like to make?

**Ms Ford:** This is about social tendering and social enterprises, so I could give an overview of what is currently happening in the ACT. Would that be helpful for the committee?

**THE CHAIR:** Yes.

**Ms Ford:** There is a social ventures hub in the ACT. It is a collaboration between PricewaterhouseCoopers, the ACT government, the Snow Foundation and the Mental Health Foundation. I think it has been operational for about a year now. It is chaired by a Disability ACT senior manager. That is currently working with about 15 small potential social enterprises. In fact, it has been enormously successful in the ACT. We have been surprised at how quickly people have taken up and started to work with social ventures and bring forward some very innovative ideas for small social enterprises that will really build the capacity for people with disability and people with mental health issues. So it does largely target that.

You may well have seen in the paper fairly recently the launch of a small social enterprise called Ronnie's Succulent Snails. That is a collaboration between Social Ventures Australia, an ACT government grant and a range of other supporters. Paperworks is another social venture in the ACT. There is a range of them, but that has been particularly successful and it was one of the first social enterprises that Social Ventures Australia started working with.

As I say, there is a range of opportunities there. Currently, Disability ACT is working with Procurement Solutions to facilitate the inclusion of social procurement into the tendering process—developing a range of tools to work with ACT government departments to assist them to identify what may well be a social enterprise opportunity within their own department and also how they can include that within their tendering and how they might be able to support that into the future. That piece of work is well underway and work is being done on those tools.

There are three areas that the ACT government is exploring at the moment in relation to social tendering. That is going through the regular procurement process and looking at, as I say, the inclusion within the procurement process of some targets around social enterprise and social tendering which is not dissimilar to what happens at the Brisbane City Council. The other part of it is to just procure directly through a single select or select tender. That is well within the ambit of the current procurement act.

The third way is that organisations can support social enterprise businesses either through grants or through support in kind. Those are the main topline; that is the work we have done at the moment.

**MR SMYTH:** If you were going to do some social procurement, would the process be different from just a standard procurement process?

**Ms Ford:** When you are looking at social tendering, you are looking at a similar arrangement around the quality and the monitoring, but the focus is not so much on the value for money as on the development of social capital, either through employment of people from disadvantaged groups or through the assistance to develop small entrepreneurial businesses that can then broaden out and reach a broader range of people. So you have a slightly different focus around your social tendering.

**MR SMYTH:** How would you determine whether you are going to make it a social tender or just a standard tendering process?

**Ms Ford:** What you would be looking at is what are the opportunities within any procurement process to have a proportion of that as social tendering. As an example, in Brisbane they have in their tenders for a large range of their parks maintenance that those are the types of services that would best fit a social enterprise. They did have a target around the number of services that were looking after parks et cetera that would be a social enterprise as opposed to a regular tender. Then the decision, as I understand it from my discussion with them, around whether it would be a social tender as opposed to a regular procurement process, which still enables a social enterprise to go for it, was about the size and the ability to sustain the number of employees. They talked about the smaller parks and recreational areas as being perfect for social tendering. For the much larger ones, they put in a percentage of people with a disability, Indigenous et cetera that would need to be employed. So they had different ways that they could do it.

**THE CHAIR:** One of the models talked about by Mr Daniels, who spoke to us earlier today, was requiring of the person doing the tendering that a proportion would be public housing tenants. Have you looked at doing something like that in the ACT?

**Ms Sheehan:** In the contract that we have with Spotless, our total facilities manager, the structure of that contract was three years, with possible extensions of two years plus two years. So we are into the second two-year extension. In the first two-year extension, we described it as an aspiration, to work towards employing public housing tenants. But in the second two-year extension it is more than an aspiration but there is a commitment that there will be the employment of some public housing tenants; and in addition to that, some Aboriginal and Torres Strait Islanders.

**THE CHAIR:** When you say “some”, what sort of numbers are we talking about?

**Ms Sheehan:** We have got a range—not an upper range because potentially it could be infinite. We would be looking at about 10 across a combination of Aboriginal and Torres Strait Islanders and public housing tenants. Bearing in mind that the structure of the total facilities management contract is that Spotless itself is essentially the

manager of the contract—and while they employ some staff, most of the services are delivered through subcontractors—we still think that is quite a reasonable thing to aspire to.

**THE CHAIR:** Do you have any idea how many people are employed in that contract overall?

**Ms Sheehan:** Do you mean by Spotless or including through all the subcontractors?

**THE CHAIR:** Yes, through all the subcontractors.

**MR HARGREAVES:** It is more relevant just to the Spotless component because that is the only area in which the contract can encourage, because you cannot do the contract forcing which goes into subcontracting.

**THE CHAIR:** But you could say a requirement of the contract is that X per cent of all the people employed under this are such—

**MR HARGREAVES:** You cannot enforce that in your subcontracting.

**THE CHAIR:** You can if Spotless put it in as the contractor.

**MR HARGREAVES:** Spotless have to do it in theirs but the client department cannot. They can only encourage Spotless to do that.

**THE CHAIR:** You can by making it a requirement of the contract. Surely, you can.

**MR HARGREAVES:** We just heard a second ago where contract forcing is the issue. You cannot force a subcontractor to do X. The department cannot, with the third party forcing.

**THE CHAIR:** How you would do it is that the contract says that 10 per cent or whatever of the employees have to be whatever—one-legged.

**MR HARGREAVES:** You would be wanting to take some advice on that.

**THE CHAIR:** Under that, I would think that it would be right.

**MR HARGREAVES:** I would be wanting to take some advice on that. I am not convinced that that is so at all. More importantly, what we need as a committee to know is what proportion of the relationship between the department and the contractor has now resulted in that 10 or so public housing tenants and Aboriginal and Torres Strait Islanders—

**THE CHAIR:** We are obviously not clear about the legal stuff but you must have some idea of how many people, regardless of what the relationship is, are involved in the contract.

**Ms Sheehan:** What I cannot tell you is how many people are employed by all the subcontractors that Spotless uses. If you pick a cleaning company, for example, that

cleaning company might have the contract to do common area cleaning on the south side public housing, but that company might also have contracts with Defence cleaning. So what I do not know, and what we have not asked Spotless to provide us with, is their total staffing numbers across all the subcontractors. With respect to the number of staff that Spotless employ at the moment, I can provide that separately. Currently, Spotless employ themselves fewer than 20 staff. That, as I said, is because of the nature of the contract. Essentially, their contract is to manage the provision of subcontractors. On the whole, they do employ a small number of staff. In our contract we have targets around Spotless employees rather than targets for subcontractors.

**MR SMYTH:** In that number of 10 that you mentioned, is that 10 Spotless employees who are public housing tenants and Indigenous people?

**Ms Sheehan:** That is an upper target. I did not bring the contract with me but I am happy to provide you with the breakdown of what is in the contract.

**THE CHAIR:** If that is an upper target, what is the lower target? What is their minimum?

**MR HARGREAVES:** Zero.

**Ms Sheehan:** What I am happy to do is provide you with the relevant clauses of the contract.

**THE CHAIR:** That would be very useful. This is entirely unclear to me.

**Ms Sheehan:** What is unclear to you?

**THE CHAIR:** Whether or not there is a target which requires anyone to be employed in this category.

**Ms Sheehan:** There is a target but what I am unable to do is give you a breakdown of public housing tenants versus Aboriginal and Torres Strait Islanders. But I can certainly provide that to the committee by the end of the day.

**THE CHAIR:** Thank you very much. Is that the only contract where you have the requirement to employ people of a certain category like public housing and Indigenous?

**Ms Sheehan:** Under the nation building and jobs national partnership agreement with the commonwealth, and that is a national partnership agreement rather than a contract, there are requirements to report to the commonwealth on the number of Aboriginal and Torres Strait Islander apprentices that are employed. I might pass that one over to Ms Overton-Clarke, who is the housing coordinator for that program.

**Ms Overton-Clarke:** The commonwealth, as Ms Sheehan said, required us to report on the number of both Aboriginal and Torres Strait Islander employees and apprenticeships and trainees. The approach that we took in the ACT was to work very closely with our vocational education area and with the Master Builders Association in ensuring that we had a reporting regime that is made as easy as possible for the

builders across both the building the education revolution and the social housing component. We have been able to write that into the contracts that we have with both sets of builders.

The issue that we decided was the big one was how we would get the individual builders to be able to report on it easily. That is why we have engaged our vocational education area and the Master Builders Association. So it is done on a monthly or quarterly basis and by the end of this calendar year we will have a very clear picture about the numbers that have been included. The target that we set was between 10 and 20 per cent. That was written into the contract. I cannot remember exactly the proportion. I think it was 10 per cent across both, but I will get those details to you.

**MR SMYTH:** On a slightly different area, it would be nice to have an understanding of how you as a department use Procurement Solutions. Do you put all of your work through Procurement Solutions or do you seek their advice?

**Ms Ford:** Yes, we do.

**MR SMYTH:** It all has to go through them?

**Ms Ford:** We put it all through Procurement Solutions.

**MR SMYTH:** And then they manage that process for you?

**Ms Ford:** We work closely with them to develop the specifications. They work through all of the procurement process. We work alongside them on that but they manage that process.

**MR SMYTH:** All right. And then do you inform them of your desire to have certain social tendering components?

**Ms Ford:** Absolutely. Disability ACT, on behalf of the Department of Disability, Housing and Community Services, are currently working with Procurement Solutions to establish a process for social tendering—that is what I said at the beginning—which will include working with other departments across ACT government to look at possible opportunities, different ways in which they can engage in social tendering and procure social enterprises, and also what some of the parameters may well be around that. We have not gone into the detail around what those parameters might be yet, in fact, if there are any. But we are looking at what is happening across Australia in particular and the different areas that are doing well and the different models that they are using. We are, definitely, though Disability ACT, because social enterprises are ideal for people with a disability to build that social capital.

Annually, we have an innovations grant round for carers and organisations, and that innovations grant round has been focusing on the development of opportunities for employment, social inclusion for people disadvantaged—not just for people with a disability but disadvantaged—so we have some other types of arrangements within that that encourage people. Social enterprise in the ACT is relatively new. It is not new because the ACT has a lot of entrepreneurs and a lot of innovation in it, but, in terms of people with a disability or more disadvantaged groups, the social enterprise

development in a far more formal structure is relatively new. As I said, the uptake to date has been 15 different types of social enterprise organisations, which gives you an indication of the fertile field out there and the opportunities for it, and that can only grow.

An example would be Koomarri, which is a really good example of a social enterprise that works very closely with TAMS around the employment of people with a disability in a variety of areas across maintenance, developing their ability to branch out beyond just the supported employment type arrangements and assisting them to look at other types of arrangements that could include social tendering and social enterprises as well. And it does not need to be limited just to that type of arrangement; it can be organisations that come together to deliver services across the whole spectrum really of human services.

**Ms Sheehan:** Could I add there, on the theme of national partnerships and what can be agreed with the commonwealth in that intergovernmental sense and then what might flow through into contracts, that the ACT has signed on to the economic participation national partnership agreement for Aboriginal and Torres Strait Islanders and that there are two areas where the ACT has made a commitment to increasing the number of Aboriginal and Torres Strait Islanders employed. So the first one is with respect to ACT government employment itself, which does not require contracting or tendering, obviously.

The government simply set itself a target, which is to move to, inside ACT government employment, the population share of Aboriginal and Torres Strait Islanders in the community. That is something that you simply set yourself as a target and you do. But we have also committed ourselves—and we have not set a hard target here—to increasing Aboriginal and Torres Strait Islander employment in our contracts with the non-government sector and with the commercial sector as well.

The national partnership agreement goes for four years. The idea there—and it is similar to the nation building and jobs national partnership—is that, because the government has large purchasing power, it enables you to include some terms in the contract which people will be minded to want to agree to because of the large purchasing power. So we are sequencing the industries where we will try to increase Aboriginal and Torres Strait Islander employment and in the next two years the first area we will concentrate on will be the human services contracts across government. After that, we will be looking at cleaning contracts, then after that construction contracts.

As Ms Overton-Clarke said, we are already getting really excellent results in the nation building and jobs construction contracts with Aboriginal and Torres Strait Islanders. So, even without changing anything at all in terms of procurement legislation and without having any specific aim of social tendering, it is possible within our existing frameworks to set ourselves some hard targets or to work towards increasing employment for Aboriginal and Torres Strait Islanders.

**MR SMYTH:** On a slightly different area, say, the consultation process for something like the grandparents and kinship carers program; is that yours?

**Ms Overton-Clarke:** No.

**MR SMYTH:** Who does that belong to?

**Ms Overton-Clarke:** That is within the Office for Children, Youth and Family Support. Did you want to ask it in general and we might be able to—

**MR SMYTH:** I would like to follow an example through of how you might start a process and what consultation you undertake and how a contract is finalised.

**Ms Overton-Clarke:** The general principle in terms of the social enterprise and the social tendering, and the advice very much from Procurement Solutions, is that, so long as the government is very specific when it goes out about what the aims and objectives are and is very up-front with both industry and NGOs at the beginning, there is nothing that inhibits being able to do that within the relevant and existing procurement context. As Ms Ford was saying, really a lot of this work that is happening at the moment within government that is not yet sort of public around the tools of being able to assist agencies is around having those more explicit objectives when we go out in the tendering sense.

**THE CHAIR:** Can you tell us more about when the tools are likely to come, because it sounds very interesting?

**Ms Overton-Clarke:** I think you probably need Procurement Solutions to do that. I do not know whether they have appeared before the committee.

**THE CHAIR:** They have. This is why we invited you, in fact, because with all of our questions along this line we were told to talk to the experts.

**Ms Overton-Clarke:** Okay. We have seen them and they are in draft at the moment, so it should be within the next—

**MR SMYTH:** These are the parameters?

**Ms Overton-Clarke:** Yes. This is a circular, an advice, through Chief Minister's Department, inviting and encouraging agencies—so advice to agencies around social procurement.

**Ms Ford:** We do have a bit more work to do on how we would work. It is a bit of an iterative process. We wanted to get a structure in place first and then within that structure to start to look at what additional things we will need. If we use TAMS as a very good example, it already does engage with a wide range of disadvantaged people through Koomarri and through some of its own employment. What can we learn from them and what would we offer them? Really what you are doing in a way is formalising the approach to social tendering in the ACT. There is a lot of informal work that has already gone on, so it is pulling that together, with a very small team doing it. We need to sort of map where it is happening and how it is happening and then what value we can add. So that is the piece of work that we are doing at the moment.

**MR SMYTH:** When is that likely to be completed?

**Ms Ford:** I am sorry; I cannot give you a time. I would need to go back and see where everybody is up to on it and in terms of the workload priorities at the moment. That is certainly for Disability ACT and for DHCS. Some of it is just about workload priorities.

**MR SMYTH:** It was mentioned that there was a draft being circulated. Is it possible for the committee to see the draft of the parameters?

**MR HARGREAVES:** Is the draft a CMD document?

**Ms Overton-Clarke:** It is a Procurement Solutions document.

**THE CHAIR:** So we will ask Procurement Solutions.

**Ms Ford:** Yes, ask Procurement Solutions. I understand they are pretty well along the way. I know they are pretty well on the way and they were certainly very comfortable with us discussing it.

**THE CHAIR:** You talked a bit about the social ventures hub and it has been going for only a year. Can you give us a bit more information about it? I imagine that there is probably not going to be a lot of government procurement—maybe I am wrong, but I am assuming there is not going to be a huge amount of government procurement—of snails. Obviously you have played a role in supporting that hub, and that is a good thing, but slightly different from government procurement. In terms of government procurement, what have you been doing in the social ventures role, particularly relating to what you have been doing with the hub?

**Ms Ford:** Maybe I will just talk generally about the hub, how it evolved, and then a little bit about how we support small social enterprises. You are right: it is not a lot about government procurement, but it may well be. As the social enterprises evolve and develop, there may well be opportunity for government to directly tender through a social tendering process with some of the enterprises that come out of that. But Social Ventures Australia in the ACT was a partnership between ACT Health, Disability ACT, PricewaterhouseCoopers, the Snow Foundation and the Mental Health Foundation. It has a part-time person who coordinates the social ventures. It has a board that is made up of those people. One of our senior officers chairs that board and what it does is look at a range of proposals that come forward to it—very light proposals too in some cases; some quite detailed—and assess from that what is likely to be a sustainable enterprise or what may need to happen or what supports may need to be put around that group or person to enable it.

I used the Ronnie's Succulent Snails as an example. That was a family whose son was transitioning from school into adult life and they wanted to ensure that he had a sustainable employment future. They knew that supported employment and full-time employment were probably not the route for him and they looked at some examples where families had established small businesses or other small opportunities for their young people. The parents—or the whole family, I think—went out and investigated a range of opportunities. We talked to them about what some of them could potentially

be.

We made links with that family to the social ventures hub and we also made some links with some other entrepreneurial business people across the ACT, and through that process really from then the social ventures hub worked with them to develop their business plan, put them in touch with, I think, Walter Turnbull, who assisted them with their business plan and their planning, looked at how that business might evolve and put them in touch with who was doing snails in the Hunter Valley—or I think they had already researched that. Then they also got a small grant through the ACT innovation grants to set up the business. Then, through the support of the partners within the social venture hub, that came to fruition and they will continue to get support through that hub to see it developed; similarly with Paperworks, which is another small organisation.

Those are some examples, but there will be other examples going through that. I understand a cafe is being established in Woden through a partnership with Woden Community Services and some other services and that will develop out into a larger social enterprise business, I imagine. Through this process there will be other opportunities, no doubt, that will develop that ACT government may include within their ambit of what they might develop.

**MR HARGREAVES:** It is my understanding that Cafe Pazzini in the Health building was established on just those lines—

**Ms Ford:** Absolutely.

**MR HARGREAVES:** and that would have been almost two decades ago.

**Ms Ford:** Absolutely. In actual fact, when we started looking at social ventures within Disability ACT, when we started looking at broadening the opportunities for young people with disability who were transitioning out of school into adult life, and we knew it was really important to create opportunities for those young people that probably would not go through, we started looking at what was already in the ACT, and that was one of the first ones that we had a look at. It was that thinking that started to drive the broader thinking across the department on what are some of the opportunities that we can introduce and build on here in the ACT.

**Ms Sheehan:** Ms Ford was referring to the importance of government providing subsidies in addition to using its purchasing power, and that we have found it very useful to work with the federal Department of Education, Employment and Workplace Relations because they have billions of dollars earmarked to assist with education and training opportunities. That is the department that we have partnered with to fund our Aboriginal and Torres Strait Islander traineeship program in the ACT government.

We have also discussed with Spotless, in terms of our total facilities management contract, using that model of support to not only employ young people but to do a traineeship and get a qualification at the end—using that program to support quality employment through our total facilities management contract. We recently became the only state or territory government in Australia that received funding from an

innovations grant program with DEEWR to do a program to assist long-term unemployed public housing tenants into employment. The partnerships with DEEWR to support these sorts of social enterprises and to improve employment rates for disadvantaged groups are incredibly important and are something that we do work with them on.

**Ms Overton-Clarke:** Also, with the Aboriginal stuff through nation building, the mentoring component, of course, is really important. It was through Indigenous Services Australia, who was one of the panel members of DEEWR, that we were able to participate in the transport to the sites and the mentoring of those Aboriginal staff who were employed through the builders for both the housing and the education components. So there was quite a lot of support that we needed to wrap around the initial phases of getting Aboriginal staff, and Indigenous Services Australia was already one of the panel members, so we could partner with them. It was through that DEEWR facilitation that that was also supported.

**MR HARGREAVES:** This is an inquiry into procurement processes, of course. Your department is more unique than others and more prepared to accept the risk of going into social enterprises more quickly than, say, TAMS would be, although I think they have a good record there, too. One of the disincentives, of course, is the additional costs that it will have to bear when social enterprises are competing in the private marketplace for a tender.

I am assuming that the client department has to cover the total cost, because when you quantify the capital that you get out of the benefits of a social enterprise and the extra risk that goes with it, quite often we have heard that the cost of a tender to do an ordinary service contract is going to be anything like five per cent or so more than the general tenders that you would get from the private sector. So there would be a reluctance, I am assuming, to have to accept that tender because it has got a price that is significantly higher than the other.

I do not know whether you are aware of what is happening in South Australia around this. If you are not, you might like to check it out. The client department picks up the tender and says that they want to have that extra social capital built in to the contract, but the additional cost of it is not borne by that department. There is a special arm of government which has a bucket of dough that contributes to that.

I do not know whether that has been thought of much in the ACT, but I think it might be a good idea if conversations at senior executive level go down that track. It would therefore remove the financial burden from departments to encourage social enterprises to provide goods and services to them by levelling the playing field because the extra cost was not borne by the department. Procurement Solutions do not have to say, in this case, “DHCS has to bear this extra cost; you wanted the social capital in there so you have to bear the extra cost of it,” and you say, “Well, we haven’t got a budget to do that.” But if you had the budget to pick up the social capital bit that was elsewhere then I would assume that all departments would be more prepared to put what I think Mr Daniels called “community interest clauses” into their contracts.

As Madam Chair mentioned earlier, what percentage of public housing tenants would

be employed? The contract that was quoted to us was one that exists in public housing areas in Fitzroy, Collingwood and Richmond—3,000 people in massive high-rises. Providing concierge services, security services, horticultural services et cetera would be quite a decent sized contract. They inserted a community interest clause which says that 10 per cent of the people employed by that contract will be public housing tenants from those blocks. But that came with an extra cost, of course.

**Ms Sheehan:** Mr Hargreaves, if I can just refer back to the conversation around DEEWR. I am not going to use the term “cost shift” but, having been successful in attracting DEEWR funding to support our Aboriginal and Torres Strait Islander traineeship program and having worked really closely with DEEWR on what that would look like and being able to move from a one-year traineeship into a one-year plus a one-year retention support program, we felt very comfortable with the model and our relationship with DEEWR.

When it came time to introduce some targets for Aboriginal and Torres Strait Islander employment into the Spotless contract, we were able to confidently say to Spotless, “We will work with you to secure DEEWR funds to provide that sort of traineeship support for the trainees that come in through Spotless.” I think that recognises that there are extra costs in the traineeships and the support, but that we have a commonwealth government that has very well funded programs which are absolutely tailor-made to providing that support. We recognise the additional cost, but sometimes it does not have to be borne inside the contract; it can actually be met through external means. You are suggesting government could have the external means. We are already working on being able to access commonwealth funds.

**MR HARGREAVES:** Where they get the money from to put it in that bucket I really could not care less.

**Ms Overton-Clarke:** No.

**THE CHAIR:** Outside this inquiry.

**MR HARGREAVES:** No, I could not care less inside this inquiry where they get the money from—whether they get it from the Terry Snow foundation, ACT appropriations or they knock it off the feds. I could not care less, so long as there is that bucket there. I am presuming, too, that this Aboriginal and Torres Strait Islander investment is social capital. I do not know if you can answer—I do know you are involved very much in Aboriginal and Torres Strait Islander issues—whether or not the TAMS ranger training program is on board with that. If it is not, it should be.

One of the problems with the Indigenous rangers program is that they cannot guarantee them employment beyond a certain period of time. There is a bit of turnover. They do not have a retention exercise. They have a training exercise and a place where there are vacancies. They do not have a retention incentive. You might get in touch with TAMS to make sure they are aware of that because, if they are not, they should be. That would be particularly helpful.

**THE CHAIR:** Do you have any more questions? You just asked my last question.

**MR HARGREAVES:** I am always at your service.

**THE CHAIR:** In that case, thank you very much for your attendance. The hearing is now adjourned.

**The committee adjourned at 10.46 am.**