



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

TUESDAY, 10 AUGUST 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.

WITNESSES

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Amended 21 January 2009

The committee met at 2.05 pm.

HARDY, MS ROBYN, Executive Director, Procurement Solutions, Department of Territory and Municipal Services

PEARSE, MS JAN, Acting Manager, Policy and Capital Coordination, Procurement Solutions, Department of Territory and Municipal Services

VIGOR, MS CATRIONA, Acting Director, Goods and Services Procurement and Policy, Procurement Solutions, Department of Territory and Municipal Services

THE CHAIR: I formally declare open this public hearing of the Standing Committee on Public Accounts inquiry into ACT procurement. Thank you for attending this afternoon. We are focusing the public hearing this afternoon on the recent ACT government announcement about social tendering. We thank the minister for his agreement for you to attend today. On behalf of the committee I welcome the officials from Procurement Solutions. You have seen the privileges card and understand it.

As you do not have an opening statement, I will explain what this is about. We spoke to you quite a few months ago about social tendering and things like that. At that stage it did not seem that there was any government interest or commitment to it. More recently I think all three of us went to the event “public money for public benefit”. We heard the announcement from Minister Burch there and then the next day I went to the opening of Cafe Ink. The Chief Minister made basically the same announcement—that the ACT government was now committed to social tendering. The reason we are having a second hearing is to explore what that commitment actually means and how you see things being different. How deep is the commitment and how are you going to capitalise on this commitment? It is a bit of a longwinded question, but that is the question we are here to ask you.

Ms Hardy: We have started off with the preparation, in the first instance, of a policy statement. The procurement regime within the ACT already allows, and is broad enough to allow, the inclusion of social tendering, social procurement and the engagement of social enterprises. The government was asked about this by the commonwealth department—I forget what it is called; Minister Shorten’s department. He wrote to the Chief Minister seeking the ACT’s agreement to allow direct tendering to disability enterprises. As I said, the ACT regime already allows that kind of treatment of a social tendering enterprise within a value for money context.

However, the Chief Minister considered then that it was necessary perhaps for the ACT government to make a broader statement about the inclusion of social procurement and social enterprises. Hence, procurement, the Department of Disability, Housing and Community Services and Mental Health got together and produced the policy document and the circular which was then articulated.

The way we are implementing it in the first instance is that we believe there is a level of knowledge base that has to be gained within each of the agencies. We have conducted a number of information sessions for Procurement Solutions officers to help advise. We have just completed three sessions for ACT government officials and they were very well attended. We asked Kevin Robbie from Social Ventures Australia, Mark Daniels from Social Traders and the Hub to help us present that training to ACT government staff.

The last one was just completed yesterday and they were very successful in raising awareness of what it was, because many agency staff, particularly if they are not in Health or in disability services, are not very aware of it. So that was the first step off the rank for us.

We have also revised the procurement plan minute. I think I gave you, the last time we appeared, a sample of what the procurement plan minute looks like and the categories in it. We have included a new category or paragraph in there which says, “Have you considered this as a social tendering exercise and, if not, why not?” So it is to provide advice to the chief executive on why it is a good thing that we could use social procurement or use it as social tendering, or a portion of it, or why we have not and what the reasons are. So it prompts staff and officers to consider social tendering, social procurement, social ventures, as a possibility within any procurement. It is in the minute for everything.

Procurement Solutions have now commenced training. It is probably Catriona’s branch and all of her staff who will then help to facilitate the idea of doing the social procurement as procurements come up for renewal. As you can imagine, a procurement might come up for mowing, or all kinds of services, which may be suitable for putting out to social ventures or to include social procurement elements. It will be one of the duties of Procurement Solutions officers to then say to the officer from the client agency, “Have you thought about potentially using social ventures or a proportion of this, or incorporating it somehow?” That is another part of the role.

We are also going to access the resources of the Hub, and we have asked Kevin Robbie and Mark Daniels if they would come back on occasions, when we are doing what we consider the first few social procurements or social tenders, to help us to scope out what we call the statement of requirements and the contractual templates et cetera to assist us. Mark Daniels has been working with the Victorian government on developing more detailed guidance on how you do that, so he has real knowledge about how you can scope out the statement of requirements and include those elements or make it a full-blown social tender, if you know what I am saying. They have agreed that we will get them back on a consultancy basis to help us develop that in the first instance, which will develop our skills in that area.

As I said, we will be liaising and continue to liaise with the Social Enterprise Hub, which is now becoming very vibrant and getting out there. It is developing and supporting more social enterprises all the time and that has been very successful.

The other thing is that the Chief Minister has written to his colleague ministers, and I have written to the chief executives, and asked agencies to put forward specific procurements for social tendering exercises or social procurement elements. So as procurements come up these will begin to be identified.

THE CHAIR: So as they come up you will not identify these yourself? You will have an implementation role but you will not go to a client and say, “We reckon this one would work well”? The client has to come to you and say—

Ms Hardy: We could. But remember that agency chief executives are responsible for

their procurements. It really is a case of, say, we know that X contract is coming up for renewal shortly—we often have that knowledge within Procurement Solutions, within Catriona’s branch—and the conversation can then be had with that agency, “Have you thought about this?” So we can initiate that, but it is still their responsibility and it is still that chief executive’s responsibility to make that call, that this will be one that will be included here.

THE CHAIR: But you will suggest it to them?

Ms Hardy: Absolutely, and they cannot not have it because it is in the procurement plan; it is something that they cannot avoid.

Ms Vigor: They cannot not consider it.

Ms Hardy: They cannot not consider it, if you know what I am saying. It is in there for them to consider it and for us to help. The thing that will limit implementation in the first instance will be the availability of social enterprises. This was discussed in our training sessions and in our sessions that we had with Kevin and Mark in the last weeks. We know there are social enterprises already in the ACT and some of them are really mature and others are not. What we do not want is to contract with a group and have them fail. What we need to do is grow it and be successful, rather than trying to put too much on them and have them be unsuccessful and fail. It would be better if we grow it slowly and grow the support.

The Hub are very important to that because they provide that assistance with being commercial. But there are models out there, in New South Wales and in Victoria, that we can begin to develop. One of the things that was suggested to us was that there are some really mature social enterprises in the other states which we could bring to the ACT that could grow and employ people within the ACT so have a social benefit here and begin to grow social ventures here. That is another thing we will also explore.

MR SMYTH: You mentioned there is a policy document and a circular. The circular is the procurement plan minute?

Ms Hardy: The circular is a document that—

MR SMYTH: Is there a copy of the policy available?

Ms Hardy: Basically that is it.

MR SMYTH: That is it, okay. When did the government ask you to prepare the new policy?

Ms Hardy: The exact date? I would have to take that on notice, I think.

MR SMYTH: That is okay.

Ms Hardy: It has been discussed for some time. When was I directed to do it? I know it was even raised in estimates hearings, I think last year. At the time Procurement Solutions considered that it would need the help of Disability, Housing and

Community Services. I cannot quite recall the exact conversation. I think it has been coming for some time and was precipitated by the commonwealth's request to include the disability enterprises exemption. In the commonwealth they changed their guidelines to allow the exemption. I think the ACT government replied and said, "It's not necessary for us to change our regulation to exempt because we already have an exemption." I think that is when they began to coalesce in developing a more explicit policy, because it already was possible, if you know what I am saying.

MR SMYTH: Could we please be told when the commonwealth made that request and when the government responded? I am happy for you to take that on notice.

Ms Hardy: I think I would have that in front of me. The Parliamentary Secretary for Disabilities and Children's Services, the Hon Bill Shorten, wrote to the Chief Minister on 7 October 2009, but I do not have the date of our response.

MR SMYTH: If you can take that on notice that is fine. So the process then was to develop a policy. The policy has a whole of government effect?

Ms Hardy: Yes.

MR SMYTH: It is optional. People do not have to do it but that option is now there in the procurement guidelines?

Ms Hardy: Yes. When you say "it is optional", it is government policy that it be considered.

MR SMYTH: Considered, yes. But, at the end of the day, all of the departments will make a decision based on their need.

Ms Hardy: Yes, about whether it is appropriate. As you can imagine—and that is one of the things that we discussed in the last few days during the training session—some procurements are not appropriate for social tendering; others are. If you want them to be successful you need to be careful about how you choose those and how you develop them.

MR SMYTH: Who has carriage of the policy now? Does that reside directly with Procurement ACT?

Ms Hardy: Yes, as a procurement policy.

MR SMYTH: As to the optional nature of it, when a department comes to you and says, "We're looking at such and such a service," one of the things that would then be considered is whether or not you do social tendering.

Ms Hardy: Yes. It is incumbent on the chief executives, because they are the ones responsible for procurement under the Government Procurement Act, to consider whether or not this is a correct one, whether it is value for money or whatever. They are responsible for that procurement. But we bring it up with them, in the same way that we bring up things like the method of tendering, whether or not this is a good one for a panel arrangement—that is a good example—or whether or not this is a better

one for open tendering or select tendering because of the market. Those are the kinds of advisory things that we do.

THE CHAIR: Do you have any targets or expectations as to how much social tendering will be done? Do you expect it to be one per cent or 10 per cent? Do you have any targets or ideas?

Ms Hardy: No. I think at this stage it is probably premature to even consider that. It might even be counterproductive to set targets when, as we said, we are a little bit dependent on the development of the industry to start with—rather than going out there and saying, “Okay, in the next 12 months we must achieve 10 per cent social tendering.” The industry is not there to support it yet.

Ms Vigor: I am sorry to cut across you, but I just wanted to say that one of the things we are aware of is that it is a very mature industry. Social enterprises have been around in Australia for a long time. They range from associations, incorporated organisations through to bodies that—

Ms Hardy: Catriona is talking about things like the YMCA, Koomarri, clubs, but is probably talking about them more in a pure sense of the kind of groups that, say, the department of housing are including in some of their tenders. Some of the things that I know Koomarri are doing include the little enterprise out at the library—those kinds of things. That is probably what you are considering.

THE CHAIR: I would really be considering both. Another way of putting it is: how would you know if the policy was a success? What are you aiming at? If someone asks you next year whether this has been a successful policy, how would you evaluate it?

Ms Hardy: One of the things that we will be attempting to monitor—we will have to build some capability into our systems to do this—is the number of social procurements that are underway. That is a systemic thing within Procurement Solutions, to build it into our business management system—first, to capture contracts that are going to social tenders. That will be an issue of me capturing it in my business system as well as in the contracts register, which will mean amendments to that, or ways of finding amendments to that, because at the moment you would have to go in and search the facility to look for the actual name of the venture rather than having a little button or a tick which just makes it a social venture.

The other complexity around that is that you might have a large procurement and a large tender where the initial head contractor is not a social venture but they actually subcontract to social ventures and so there is an issue around how do I capture that sort of information. One of the things we are considering at the moment is how we amend our systems to capture some of these to show how it is being developed. The Chief Minister himself has said that he wants his ministers to tell him what social procurements are coming forward, so he has already said that he is monitoring it. In that sense I will have to work out a way to monitor it. But, as I said, it is not quite as easy as just ticking a box because in some instances it will be a portion of the procurement that is social.

THE CHAIR: I have only skim-read it but at the front of this you have four options and the bottom one is social tendering. Starting from the middle of the second page it is just about social tendering. Is that the only thing that you are going to be counting under social procurement?

Ms Hardy: No. As I said to you, I am trying to capture all of the separate elements. Social tendering in the pure sense is contracting with a social enterprise, essentially just saying, “This one is only for social enterprises.” That is probably going to be the rarer one. The more common one will be where there are elements. An example might be a cleaning contract. We might say, “Within this contract we would expect that you would employ 10 per cent of disadvantaged individuals,” or whatever. I would have to be able to capture that. That is just an ordinary cleaning contract; however, it has a social procurement element to it. In a sense we already have lots of those already through the apprentices program, which is not—

THE CHAIR: Yes, which requires a percentage—

Ms Hardy: But I do not label those as social procurements now. So there is a fair bit of work on us to try to identify the different elements and how we can capture them within our systems to begin to report on them. I would hope that we can report almost in a triple bottom line sort of way through our annual reports that we have begun to capture this data. But before we make agencies do that I am going to have to work out how I do it. So, for instance, if one of Catriona’s officers is doing a procurement for cleaning, we know that the paragraph is in the procurement plan—that has been identified—and we know that the statement of requirements has in it the requirement for 10 per cent to be disadvantaged people. So, when the contract is then loaded in my system somewhere and in the contracts register, I say, “This is a social procurement,” or, if I need more granular information, “This is an actual social tender.”

THE CHAIR: I guess I have already asked this: there is no specific objective at the end of the year that you will have reached?

Ms Hardy: I think it is too soon for us to be able to do that yet; first, because the knowledge in the agencies of the officers who are our agency clients seeking procurements is not sufficient yet to do that. We need to build up their knowledge and we need to build up our industry to be ready to receive it. In a few years time we may be able to set targets. We may not have to either; it may be so ingrained in our thinking that it becomes just part of the way we do things.

THE CHAIR: Are you looking at going out to potential social enterprises and saying, “We have an interest in getting X, Y and Z,” and being proactive about creating the industries?

Ms Hardy: One of the things we are going to do is have more information sessions. It will be about engaging with the Hub. The Hub is probably going to be our best resource for that. Its role is to develop and support social enterprises. The other thing is that the Victorian group, through Mark, are developing a listing of social enterprises that we can go to, so if we can begin to get that out there. It is a little bit like the Industry Capability Network. It is a network of businesses which the commonwealth and the states support. It is almost like a big database of all of these enterprises that do

certain things. As this database becomes available—

Ms Vigor: It is called the Social Enterprise Finder website.

Ms Hardy: Yes. The training materials are shared, if you like. As we begin to get that information out there and begin to develop the knowledge of it, I think there will be a greater potential for lots of success within these procurements.

Ms Vigor: The other thing we are mindful of is that there are degrees of compliance, if you like, with social tendering. In some cases you might go directly to a social enterprise and in other cases you might weight assessment criteria. In some cases you might put in a requirement in your tender document which carries through to the contract. In other cases you might only put in a monitoring and reporting role: “The territory has a policy of doing this and we would like you to report on your implementation of this policy.” It is not a firm requirement in the contract.

Mark Daniels was telling us yesterday that this has worked effectively in some contracts in Victoria, whereby just getting that message to the organisations providing the services has acted as an incentive, so that next time round when the procurement is coming up for reassessment the organisations know that this is something that the government has put some weight on and it may well look at their track record in this area with a view to—

Ms Hardy: That is a very good point. You can build in the percentage thing but also say, “The government has a policy on social tendering and social procurement.” We encourage tenderers to consider this as part of their response to us. You can weight tenders. I know some of the states give a percentage weighting to a response, which includes social procurement. Those are the kinds of things that you can do. Then you can say, “This is another organisation and, although we have never weighted it, it always has an element of social procurement in it. Its track record is really good in this respect, so its value to us is greater.” There are many ways to cut the cookies in this. I think it will be a case of case-by-case procurements.

MR SMYTH: Just going back to something you said at the start: Procurement ACT, in conjunction with Disability, Housing and—

Ms Hardy: And Mental Health.

MR SMYTH: They were responsible for developing the policy. How did that happen?

Ms Hardy: Jan might be able to explain that because Jan was responsible, together with officers in Disability and Health—

Ms Pearse: I guess Procurement Solutions had carriage of the policy. Basically it was just consultation with Disability ACT and the mental health policy unit in ACT Health—seeking comments and input on the policy.

Ms Hardy: Because Disability is the organisation that is the supporter of the Hub it has greater knowledge of social ventures and how they work et cetera. It provided a

great deal of input for us in the development of the policy—as Jan has said—with assistance from Mental Health. What was wanted was a broad policy about social procurement and not a narrower, disability-focused one. It was a bit broader and was directed at all disadvantaged groups, or targeted groups.

MR SMYTH: Was there any public consultation or was it all done in-house?

Ms Hardy: It was done in-house. I do not think we released any draft.

Ms Pearse: There was no public consultation. It is not a new policy as such. Basically it is just an iteration of what is possible within the framework.

Ms Hardy: I think that is a good point too. It does not say, “This is new.” The procurement framework already permitted the consideration of—

MR SMYTH: But the documents you supplied us—correct me if I am wrong—did not speak about this sort of procurement, the original submissions.

Ms Hardy: No. We probably did not refer to sustainable or environmental procurements either because there are so many different kinds of procurements you could talk about. When we were written to by the commonwealth and considered the question that was put to us—could we exempt disability organisations?—it was already possible. I think the message really is that, whilst it is already there, we have not provided any specific guidance. We have provided specific guidance on sustainability. We have provided specific guidance on select tenders and the myriad circulars under there, but we had never provided any specific guidance on social procurement.

MR SMYTH: Has the circular been sent now to firms that may be interested in social procurement and contracts?

Ms Hardy: No, but it is on our public website.

Ms Hardy: It has gone to the Hub.

MR SMYTH: Caroline asked earlier about the targets. What is the knowledge of the current level of government social procurement?

Ms Hardy: The actual data, rather than anecdotal data, is quite low because, as I said to you, we have not captured, and I doubt whether the agencies have captured in any explicit way, what procurements include a social element. We know anecdotally that there are several out there but I could not tell you today which ones do. What I would have to do literally is search each contract—all of the contracts—to find if there are elements in there. There is no explicit data other than anecdotal stuff. We know some that have come through us recently. We can now identify them and say, “Look, we remember that one.”

MR SMYTH: But, if you do not have a baseline, how do you know if it has improved?

Ms Hardy: If you know what I am saying, we will have to start from now—capture the data and see where we have gone from today. We know there are some out there already, so we know we are not starting from the bottom. So, going forward, we will not be starting at zero; we will be starting from something.

MR SMYTH: But that something is unknown at this stage?

Ms Hardy: I think that is right, yes.

MR SMYTH: Is there a time frame for the implementation of the policy or is it just considered to be in practice now?

Ms Hardy: It is considered to be in practice now.

MR SMYTH: And what advertising to the community will be undertaken to make them more aware of it? It will be through the Hub, but people at the Hub are probably slightly aware of this. What about the broader community and other firms that might have an interest in such a thing? Will there be an advertising program or an awareness campaign?

Ms Hardy: As such, probably no. The way Procurement Solutions tend to get to our client and industry base is through various mechanisms. We do it through industry groups like the MBA forums and those sorts of things, and we have industry information sessions. Our strategy in the first instance is to train up as many of our agency staff first, and we have just done that.

The next cab off the rank probably will be more detailed working through of clauses, statements of requirements et cetera with assistance from the Victorian groups and the Hub, and also to have what we call industry forums. That would be getting together the likes of the Hub and representatives of industry in the same way that we do now with the architects, with the information industry and with the MBA. We will then begin to have an ongoing consultation mechanism with them.

It is a bit early for me to commence that yet because I need my staff and the agency staff to be ready and then for them to be able to answer questions when someone asks the question: what is this about? If someone rang up some of the agencies and asked what this was about now, they might know, but a few weeks ago they would not have had enough knowledge to answer it or to know who to go to. It is a gradual rolling out of it and we will then engage with the industry that way in the usual format of having industry forum sessions.

Catrina has regular sessions with industry where she explains what Procurement Solutions does, what the ACT government framework is and how we do business. We will start to do those and then we will also have forums. I have regular forums at the Ainslie Football Club with the construction industry and we talk about new policy and that sort of thing, so we will have those kinds of things too, to begin to get the message out there. But I need a lot of assistance from the Hub in relation to that to target the right people.

MR SMYTH: You have had the three training sessions. Is it possible to give us the

number—not names—of people who attended and from which departments?

Ms Hardy: Catriona or Jan might be able to answer that.

Ms Pearse: I cannot think of an agency that was not represented.

MR SMYTH: Is it possible to get that breakdown then with numbers from each of the departments?

Ms Hardy: Sure.

MR SMYTH: You mentioned industry forums. Which industries are you looking at holding information sessions on for this type of procurement?

Ms Hardy: I have an MBA one—when I say MBA, it is the construction industry forum—coming up at the end of August and I always do an update on anything in there.

Ms Vigor: We probably raised it with the Canberra Business Council and the Australian Information Industry Association at our last meeting—

Ms Hardy: Our recent one two weeks ago. Architects are coming up and various others as we go through these sessions. The calendar of events is on my website, too, by the way. As we hold each of these forums, we will be raising it with them, but having specialist ones as well.

Ms Vigor: I would also like to target some micro business organisations in there as well, because that is sometimes where you get the start-ups.

Ms Hardy: That will be through things like the Canberra Business Council. I think they will be of great assistance to us there.

Ms Vigor: Or the business enterprise centres.

MR SMYTH: Will you do, for instance, a forum with ACTCOSS? A lot of the organisations that might have a particularly strong interest in social tendering are probably members of ACTCOSS and it sounds like you are going to your traditional markets of business.

Ms Hardy: It is a good suggestion. To me that would be the special forum, the Hub group and the ACTCOSS groups. They would include your Koomarris, your Anglicares and those kinds of groups.

THE CHAIR: You said a little while ago that you had issued specific guidance on sustainability in procurement. Could we have a copy of that, please?

Ms Hardy: That is one of the circulars.

THE CHAIR: Okay. Have you got any policy for evaluating when an enterprise is a social enterprise? We are talking about employing people with some degree of

disadvantage. Have you some sort of policy about what degree of disadvantage we are talking about?

Ms Vigor: We had the information session yesterday and in the materials we passed across to you were some slides that they used. I am happy to give you more readable copies, as they are very small, but the span of social enterprises is very broad, ranging from those that focus on employment outcomes through to those that focus on other social outcomes, through to those that effectively act as charitable organisations or perhaps cooperatives. So there is already a lot of work that has been put in by Social Traders into defining, if you like, the types of social enterprises and what constitutes a social enterprise. I expect we will be leveraging off some of that work.

The stuff that is particularly exciting to me that they have been working on are studies about return on investment and the way in which you quantify the value for money, effectively, or benefits you are getting from a social procurement and being able to translate the employment or other benefits. Not everything will be able to be translated into qualitative dollars and cents, but where it can be I think it provides quite a good, compelling argument for continuing to support and move forward with social procurements.

Ms Hardy: Your question goes, I think, to whether you define someone who is six months unemployed as disadvantaged compared to someone who is severely disabled, compared to someone who is 12 months unemployed or three years unemployed. I believe that is a difficult question. I do not think we are going to be prescribing that disadvantage means X.

There is probably plenty of literature and there are plenty of definitions out there on what are considered vulnerable groups. That includes people who are unemployed—unemployed per se rather than long-term unemployed—people who are disabled and have not been able to get employment. One of the challenges for us is not defining that if you say in a contract there will be 10 per cent disadvantaged people within it who that group is. It is to monitor and go back and ensure that those groups have complied and that there really are 10 per cent of people who are disadvantaged.

We certainly talked about these issues and the challenges in the last few days in discussions with our Victorian colleagues. However, they advised us that even though sometimes it is difficult for companies to always comply with the 10 per cent—they can sometimes end up with 15 and 20 per cent—they can have a miraculous number of people moving to jobs and other sorts of things. Essentially, you have to be flexible in the way you require these things within contracts. They have also said that they are developing better and more sophisticated ways to estimate targeted populations and estimate the value that is being generated by the social ventures and social procurements by saying, “We know through this contract that three people have gone on to full-time employment elsewhere.” Capturing that data is the challenge.

THE CHAIR: Are you doing anything to support social tendering and social procurement, apart from making it part of the conversation every time there is procurement? Would you be expecting that social procurement might in some cases cost more or there would be a longer time frame for developing things or that there be a single select rather than an open tender? What sorts of things, if any, are you doing,

apart from awareness raising, to support—

Ms Hardy: We will be able to suggest all of those, in a sense. We will be able to suggest to agencies, “In this particular case we know that there is a social venture out there which is absolutely capable of doing that.” It is a case of working with them to develop, in a sense, the business case that demonstrates the value for money to even go single select. Because value for money is the important thing, and because value for money includes the social benefit of it, it will be developing that. It will be everything from saying, “This is one we believe where you can absolutely do a single select,” or, “We believe this is one where you could do a select to a couple of enterprises,” or, “This is one which should be a public tender requiring a social procurement element in it.”

MR SMYTH: You mentioned some slides. I do not happen to see any slides here. If you could provide them—

Ms Hardy: In the pack that I gave you, which is a—

MR SMYTH: No, it is different. I cannot see them here. If we could have some larger ones, that would be lovely.

Ms Hardy: We will get a copy to you.

MR SMYTH: That would be nice. On the question of the analysis, will there be a cost-benefit analysis done as part of the assessment of the effectiveness of the new policy?

Ms Hardy: I do not think it will be possible to do a cost-benefit analysis in that way. It is more possible to do a cost-benefit analysis of each procurement as you are going through to demonstrate the value for money. I understand what you are saying. In terms of all procurements and doing a cost-benefit analysis, these social ventures were the better way to go. The cost-benefit will be in the demonstration of the value for money in the single select or select methodology, or whatever, in the procurement plan.

MR SMYTH: In the case of this type of procurement it is more than just best value for money. You tell me it would be hard to assess but, as you said yourself, what is the effect on things like a disability pension when they are in some sort of employment? What is the effect of having somebody who has been long-term unemployed in employment now for the government at the federal level? There is certainly a numerical answer to that, but—

Ms Hardy: The thinking is, though, that these are commercial enterprises. They still are commercial enterprises. They are working on their own. They just have a social benefit output.

MR SMYTH: But how do you measure the social benefit?

Ms Hardy: The social benefit is measured, as I said earlier, in terms of: there are now a dozen people who were otherwise not employed and they are now in full-time

employment or part-time employment.

MR SMYTH: But that has a knock-on effect and also a multiplier effect in that for, say, the federal government it will be a reduced number of people on various forms of pension or welfare and, in terms of community wellbeing, it will have a resonating effect—

Ms Hardy: I do not believe it is going to be possible to estimate those multipliers because what you will end up with is—

MR SMYTH: Does anybody measure it? Do you know or are you making an assumption here?

Ms Vigor: Social Traders are developing some case studies and doing some research. They are trying to develop exactly the matrix to try and quantify for the Victorian government how much benefit is being accrued. I do not think they are specifically trying to focus on commonwealth versus state versus local, but I expect that is going to come out of it. I think it will have some relevance to us as well. We are not leading the charge on this, but we are very interested in what comes out and how we can apply that to the work we are doing.

Ms Hardy: They have agreed to share that with us. I still do not believe you are ever going to be able to get down to the nth degree of the dollar value in terms of cost-benefit—

MR HARGREAVES: I am not so sure about that.

MR SMYTH: I am not asking you for that. I think John could be right. In some ways it may well—

Ms Vigor: They are attempting to quantify things like the potential for the newly employed person to no longer have a call on mental health services or other types of services.

MR SMYTH: Has it led to a reduction in the call on Mental Health? There is another knock-on effect.

Ms Hardy: It is capturing that data, though.

MR SMYTH: That is true. Rather than trawl through it here, is it possible you might give us a written summary of how you intend to evaluate the program?

Ms Hardy: The policies? Yes, we could provide you with that.

MR HARGREAVES: I recall years ago somebody said we could not quantify the value of water in the catchment areas when they came into usage, and now we can. I remember somebody saying we could not quantify, for the purposes of evaluation, the environmental impact on some of the decision making that we were doing, and now we can. I heard people say a long time ago, “You can’t really quantify the value in health services because it is so vigilant.” We can. If a formula was developed by

somebody like Treasury, it would assist in your process, wouldn't it? Remember that we are not talking about a be-all and end-all here. We are talking about being able to measure this tender against that one, both of which have social tendering as their main thrust.

If, for example, you were asked to make a decision between two tenders for a service and one was going to employ people with a physical disability and the other mob was going to employ people with a mental health disability, how would you go? You would have trouble, wouldn't you? I think your short answer has got to be yes, unless you are closer to God than I am. If you had a formula which said you could place a dollar value on it, or a unit of measure perhaps, not necessarily a dollar value, then it would be of enormous assistance, I would have thought.

Ms Hardy: You cannot place dollar values on everything, though.

MR HARGREAVES: Do you wanna bet?

Ms Hardy: There are dollar values on self-esteem and the fact that someone now has a part-time job that did not have one. The dollar value of the less call on social benefits: you can find that out. But, quite frankly—

MR HARGREAVES: Let me challenge that, Ms Hardy, and I do not mean to be disrespectful at all. I can remember somebody saying to me, "You can't quantify the success of a rehabilitation program for people coming out of jail—you can't do it—because you are talking about human self-esteem." I know that it costs you \$150,000 a year for no return for a person being a guest at Her Majesty's pleasure. When they come out and they are paying tax of \$30,000, you are about \$180,000 a turnaround for one individual, so you are able in that case to quantify it as an assistance exercise.

You cannot say that is the be-all and end-all, but you can say that for these variables they have these units of measure. I would not want to be the person to say what was the dollar difference or unit of measure difference between a physical disability and a mental health one, but there may be one.

Ms Vigor: I think the metrics can only take you so far and that sometimes, whilst the dollar benefit to the territory government might not be—and here I am using the hypothetical—as high in giving employment to an Aboriginal person as perhaps to someone who has major disabilities, from a policy perspective I would have thought that the policy interest in addressing long-term disadvantage by people in Aboriginal and Torres Strait Islander groups is a priority, if you like, for the government and that therefore, while the dollar figure may not be quite as high, you might still want a different sort of decision where you are pursuing benefits to turn around disadvantage.

MR HARGREAVES: Following that line a bit, do you think perhaps we get tied up in using dollars as the unit of measure? The point that you made is sort of not totally correct: where you cannot put a dollar measure on something, it does not mean that you cannot put some other unit of measure on it.

Ms Hardy: No.

MR HARGREAVES: Maybe that is where the issue is. If we are all hung up on saying, “This contract is better than this one because it is cheaper, but with this one you are getting value for money,” how do you know? What unit of measure are we saying? Generally speaking, we reduce it to a dollar value in some form or another, and then it becomes a subjective judgement at a certain point in time.

Ms Hardy: Yes, but I do not believe we will get in tenders each saying, “We’re going to employ 15 people from this disadvantaged group,” and they will be the same price. It will not happen that way. What will happen is—

MR HARGREAVES: No, but your job then, isn’t it, is to say, “If I have this mob with this group with a disability, and this mob with this group with a disability, and this mob happen to be slightly higher but the unit of measure in helping this disadvantaged group outweighs it so that the person with the higher price is getting better social value, unless we have some sort of way—

Ms Hardy: Of considering the social value.

MR HARGREAVES: Therein lies the difficulty we face at this point in time in history, I presume.

Ms Vigor: The Victorian group, Mark Daniels and Kevin Robbie, have grappled with those very issues and they are developing that sort of guidance at the moment. They said to us that they would certainly help us with that and share that kind of information with us because they have been faced with those kinds of decisions—is this one better than that one for various reasons?—and tried to assess the cost-benefit essentially.

Ms Hardy: I was going to say that Procurement Solutions are not always on the evaluation panels. The evaluation panels are, if you like, the decision makers in each tender process and in the majority of cases we only facilitate so we provide guidance to the evaluation team but it is their call—

MR HARGREAVES: I will tell you the case study that actually sparked me off. I can remember us issuing a contract for, I think, lawn mowing. It had historically been delivered by people who had a physical disability and an intellectual impairment. But we had two people involved in the disability sector competing against each other. I did not envy at all the decision maker in having to make the decision about who was going to get that tender. What complicated it was that the tender went and the same people were on the mowers, as it happened. But that was just luck; it does not necessarily follow that way. I take my hat off to whoever decided on the tender because I think it was a very difficult decision to make.

I know I am banging on about this but if you had some unit of measure it would make the decision a little easier. If you have a whole stack of quantitative measures to add to your qualitative measures, it is going to assist the process, but it is also going to be easier to defend when the disgruntled person says: “Why didn’t I get that tender? I’ve got a better call because there is a better social outcome.” We would just say, “Oh, no, there you go.” It is not a subjective judgement by some officer based on not so robust criteria. It just seems to me that when you say to your client departments or agencies,

“You want us to help you put out this tender and evaluate it,” you need to put in your specs the requirement for these particular types of quantitative data.

Ms Vigor: An understanding of the supply market is quite crucial. One of the points that has been made in our information sessions has been that it is not a matter of creating a demand by putting out a tender and there is no-one there to respond to it; it is actually looking at what is available in the supply market and then designing a procurement which will respond to that. So, if you had a number of providers of mowing services, for example, who all use people from a disadvantaged background from an employment perspective, we could design a procurement so that it provided a panel arrangement and we could drum up more mowing work or find similar types of work and engage with the organisation about what other kinds of work those people doing the mowing might be suited to. Part of it is understanding the supply market.

MR HARGREAVES: What would suit me is to do both.

Ms Hardy: I think we have to be flexible and try all kinds of things. As the procurements come up, we have to think about ways of massaging those procurements to consider them.

THE CHAIR: It is slightly past 3 o’clock, so our scheduled time has come to an end. Are you right, Mr Hargreaves?

MR HARGREAVES: I am always right, Madame la Chaise.

THE CHAIR: Thank you. On behalf of the committee, I would like to thank very much all of our witnesses today—Ms Vigor, Ms Hardy and Ms Pearse—for their attendance.

I note, in the spirit of Mr Hargreaves, that one of the groups listed here is of people interested in learning the French language.

MR HARGREAVES: And so it should be—compulsory in our education system for everybody over the age of 60.

THE CHAIR: As you would be aware, once the transcript is available it will be forwarded to you so that you can make corrections of any factual errors.

The committee adjourned at 3.04 pm.