

**A proud community
growing together**



Social Procurement Scoping Paper

Prepared by the Economic Development & Advocacy Department

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1. Introduction

The Melton City Council has developed a Social Procurement Background/ Scoping Paper to provide a detailed overview of social procurement principles, resources available, different forms of social procurement and best social procurement practices/ case studies.

This report also includes a summary of the current Council Procurement Policy and Purchasing Manual.

The aim of this Scoping Paper is to increase understanding of, and support for, social procurement within the Council, as well as to outline the social benefit outcomes for the community.

The ultimate goal of the project is to determine Council's appetite for incorporating Social Procurement practices into procurement practices across Council.

2. Definition

Social procurement is a strategic approach to meeting social objectives through procurement.

Social procurement involves using procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and works. For local government, social procurement builds on initiatives already undertaken by the sector in enhancing sustainable and strategic procurement practice, enabling procurement to effectively contribute to building stronger communities.¹

In recent years, governments in many parts of the world including Australia have supported the development of procurement policies that incorporate social factors into their tendering process.

Social procurement provides a way to increase economic participation and decrease disadvantage in local communities by reconceptualising council procurement practice. Social procurement is the purchase of goods, services and works that also generate a positive social impact in the local community. This can be achieved through:

- procuring from a local social benefit supplier
- tailoring contracts to specify the delivery of particular social outcomes
- employing a certain number of unemployed or disadvantaged local residents
- providing training opportunities for local residents
- procurement of a certain percentage of local goods and services in delivering a contract
- directly employing disadvantaged community members in the council workforce, creating training and employment opportunities

¹ Social Procurement Tool Kit, DPCD

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- developing joint ventures and partnerships with other organisations to deliver positive social impacts.²

3. Elements of Social Procurement in current Policies, Strategies and Plans

Under the Victorian *Local Government Act 1989*, councils are required to:

- achieve the best outcomes for the local community (section 3C(1))
- achieve continuous improvement in the provision of services for its community (section 208B(d)).

These requirements may well be satisfied through social procurement initiatives.³

To satisfy these requirements the following paragraphs are included in the Melton City Council *Procurement Policy*:

- 4.7 Local Sourcing
Council recognises that it is a major purchaser of goods services and works and that its procurement practices have the potential to impact the local economy. Council will endeavour to support businesses and industries within the municipality and maximise these opportunities by means that are consistent with achieving best value for money.
- 4.8 Sustainable Procurement
Council is committed to safeguarding environmental quality and wellbeing for its present and future communities. Council recognises the potential impact procurement has on the environment and where applicable will integrate sustainability, environmental and social considerations into the procurement process.

As it stated in the Melton City Council *Purchasing Procedures Manual*:

'Council is committed to buying from local business where such purchases may be justified on a "Best Value" basis and are competitive across all evaluation criteria. All other factors being equal, Council may give preference to local economic benefit when sourcing products. When this criterion is nominated, the benefit must be identifiable and reasonable.

These benefits may take the form of:

- increased local employment
- increased activity and spend in the local economy with identifiable benefits
- the level of local content in the goods, services and works.

The application of local content shall have consideration of both: Best Value Principles of the *Local Government Act 1989*; and *National Competition Policy (Competition and Consumer Act 2010)*.'

Even though there are certain elements of Social Procurement included in the Council Procurement Policy and Procedures Manual, there is a need for clarification of the Social

² Social Procurement Engagement and Awareness Strategy, DPCD

³ Social Procurement Tool Kit, DPCD

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Procurement goals, objectives, procedures, benefits, outcomes and the extent to which Council is committed to incorporating Social Procurement into its contracts and tender processes.

To expand and bring the Social Procurement initiatives to the next level, the following actions were included in the Four Year Action Plan (*Economic Development and Tourism Plan 2014-2030*):

- 1.1.5 Identify existing social enterprises and support opportunities in partnership with relevant stakeholders to encourage new Social Enterprises across the City. (suggestion: include status of this action)
- 1.2.4 Develop a Social Procurement Strategy to support local businesses that provide training and employment opportunities to youth, people with a disability, indigenous or long term unemployed.

The Social Procurement initiatives correspond with other Council plans and strategies:

Disability Action Plan 2013-2017:

Goal: Increase opportunities and participation in further education and employment for people with a disability.

Action: Work with service providers and the local business sector to create pathways and support transition for people of all abilities into employment and further education.

Municipal Public Health and Wellbeing Plan 2013-2017:

Objective 1.3: Local Economy

A City that generates an innovative local economy that stimulates opportunities for investment, business and training.

Strategy 1.3.4. Facilitate local partnerships which create and promote a range of learning, employment and pathway opportunities.

Objective 3.1: Access and Inclusion

Increase levels of wellbeing by improving outcomes for people with a disability and their carers.

Strategy 3.1.3.: Increase opportunities and participation in further education and employment for people with a disability.

Objective 3.9: Indigenous

Increase opportunities for health and wellbeing for indigenous people.

Objective 3.10: Culturally and Linguistically Diverse (CALD)

Increase opportunities for health and wellbeing for people from CALD background.

Melton Shire Council Reconciliation Action Plan 2010 -2014

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Opportunities and Inclusion:

Action 15. To consider a pro-active approach to employment and / or training opportunities for Aboriginal and Torres Strait Islander residents within Council.

4. History of Social Procurement

Social Procurement in the World

The attempts to link social justice issues with procurement mostly originate in the 19th century in England and the United States, but also in France.⁴

A range of socio-economic goals were subsequently linked to procurement: promoting fair labour conditions and fair wages, and the use of public works to tackle unemployment.⁵

The 19th century thus saw the beginning of the linkages between procurement and the slowly developing social policy manifested in concerns for the unemployed and the working man. In many countries, this also resulted in the use of public works, sometimes financed through government contracting, to address sudden rises in unemployment. In addition, in the United Kingdom, the United States and France, government contracts were used to secure minimum wages.⁶ The primary beneficiaries of early policies were those the policy-makers conceived as the paradigm case in need of protection: the indigenous, able bodied, male breadwinner. Indeed, linkage between procurement and social policy not infrequently was to the detriment of those conceived as marginal: women, children, racial minorities, and the disabled.

The first major move away from the old approach began after World War I, when government contracting came to be seen as an important mechanism for addressing the needs of the disabled, thus using procurement to address the needs of more marginal workers.⁷

In particular, the British Government introduced a significant programme for work by disabled ex-servicemen, using the mechanism of government contracting (House of Commons, 1926; House of Lords, 1926). After World War II, this approach spread beyond ex-servicemen in Britain, and was generalized to the rest of the disabled working population.

In 1938 similar approach was adopted in the US, then spreading around the Europe and Canada after the World War II.

Procurement has been used to address important quasi-constitutional problems: attempts to address racial inequality in the United States, or attempts to resolve the issue of the indigenous people (*bumiputera*) in Malaysia, for example. More recent and more explicit linkages between procurement and the settlement of major constitutional disputes are apparent in Canada, relating to the treatment of aboriginal peoples; in Northern Ireland,

⁴ Christopher McCrudden / Natural Resources Forum 28 (2004)

⁵ Christopher McCrudden / Natural Resources Forum 28 (2004)

⁶ Christopher McCrudden / Natural Resources Forum 28 (2004)

⁷ Christopher McCrudden / Natural Resources Forum 28 (2004)

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relating to the respective position of the two religiously defined communities; and in South Africa relating to the end of *apartheid* and the development of democratic government.

In each of these situations, although in somewhat different ways, linkage to procurement has become part of these constitutional settlements.⁸

Social Traders and their partners conducted joint research that indicates growing impetus for social procurement in Australia and overseas.

There are a range of forces in procurement practice and broader society that are driving this. These include:

- the emergence of strategic procurement which supports consideration of factors beyond price.
- public interest in the environment and fair trade, which has led to business integrating these outputs into their procurement processes.
- growing interest in, and commitment to, purchasing from minority suppliers.
- shared value as a new business paradigm to deliver social good to communities and financial good to owners/shareholders. Shared value provides a framework for the next step in the evolution of corporate social procurement.
- government utilising social procurement and playing an enabling role.⁹

Social Procurement in Victoria

In 2010 the Victorian Government launched a Guide to Social Procurement in Local Government - as part of a national project to develop social procurement procedures for organisations and individuals.

The Guide states that each year Victorian councils spend around \$3 billion procuring goods and services in a wide variety of expenditure areas. Social procurement recognises the collective buying power of Victoria's 79 councils and encourages councils to consider what could be achieved if even a small percentage of council spending was focused on 'value adding', so that the purchase of goods and services also had positive social outcomes.

The Victorian Government guide has been developed to support Victorian councils deliver stronger social outcomes through procurement. It is closely aligned with Social Procurement in Australia, an overarching national paper commissioned by the Centre for Social Impact.

In 2011 the Victorian Government together with Social Traders have released the Social Procurement Toolkit, an online guide for Victorian Local Government and other buyers on how to socially procure.

Social Traders, a specialist social enterprise development organisation, was established in 2008 to support the development of sustainable social enterprises that are driven to solve social, cultural, economic and environmental problems. Social Traders is an independent not for profit company funded by the Victorian Government and a private foundation. Based in Melbourne, Social Traders work with social enterprises across Australia. Social Traders is governed by an independent board of directors.

⁸ Christopher McCrudden / Natural Resources Forum 28 (2004)

⁹ Corporate Social Procurement in Australia, Social Traders, The Faculty, Research Report 2013

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Social Traders partnered with a number of like-minded public sector organisations and businesses working closely with the public sector to develop Social Procurement Australasia (SPA) in 2013.

Social Procurement Australasia exists to support the growing demand for guidance, networking, and development in this exciting field. SPA builds awareness, encourages and supports the effective adoption of social procurement as a tool to create positive social impacts. SPA also develops resources to provide guidance, networking, and development in this exciting field.¹⁰

5. Legal framework

There appears to be no Commonwealth or Victorian legislation, or common law cases, that prevent governments and councils from including social procurement requirements in procurement documents or contracts as long as they are not discriminatory.

Some legislative requirements actively support the inclusion of social procurement provisions. For example, Section 208B of the *Victorian Local Government Act 1989* (VIC) (LGA) specifies the Best Value Principle requirement that all services provided by a council must be responsive to the needs of its community.¹¹

According to the Victorian Government Solicitor's Office (VGSO) advice, three areas of law that will need to be followed to legally conduct social procurement, they include:

- 1) Legislation governing local government – the *Local Government Act 1989* and subordinate and other related instruments
- 2) Common law relating to procurement
- 3) Trade Practices Law

When conducting social procurement, local governments must comply with the general requirements relating to all procurements as set out in the *Local Government Act 1989* (Vic) (LGA) and related instruments, unless an exception or exemption applies.

When applied to social procurement, the key sections of the legislation are:

- I. Section 3C of the LGA, which provides:
 - A. The primary objective of a Council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions.
 - B. In seeking to achieve its primary objective, a Council must have regard to the following facilitating objectives:
 - (a) to promote the social, economic and environmental viability and sustainability of the municipal district;
 - (b) to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet

¹⁰ Social Traders

¹¹ Social Procurement Tool Kit, DPCD

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- the needs of the local community;
- (c) to improve the overall quality of life of people in the local community;
 - (d) to promote appropriate business and employment opportunities
- II. Section 136(1) of the LGA, which provides:
- 136 (1) Principles of sound financial management:
- A Council must implement the principles of sound financial management.
- III. Section 186 of the LGA, requires local governments to undertake a competitive process to test the market before entering into contracts for the purchase of goods or services with a value of \$150,000 or more or for the carrying out of works with a value of \$200,000 or more,¹² unless specified exceptions apply.
- IV. Section 186A of the LGA, requires local governments to prepare, approve and comply with a procurement policy and make the policy available on the council's website.
- V. LGA Division 3 of Part 9, which sets out the Best Value Principles that the local governments must comply with in using resources. In particular, section 208B provides: Best Value Principles:
- (a) all services provided by a Council must meet the quality and cost standards required by section 208D;
 - (b) subject to sections 3C(2)(b) and 3C(2)(e), all services provided by a Council must be responsive to the needs of its community;
 - (c) each service provided by a Council must be accessible to those members of the community for whom the service is intended;
 - (d) a Council must achieve continuous improvement in the provision of services for its community;
 - (e) a Council must develop a program of regular consultation with its community in relation to the services it provides;
 - (f) a Council must report regularly to its community on its achievements in relation to the principles set out in paragraphs (a), (b), (c), (d) and (e).

6. Social Procurement at the Melton City Council

Council's existing social procurement practices

A small number of the Council departments have already incorporated some elements of Social Procurement in their tendering processes.

Council Operations department has plans to pursue youth training and development opportunities via cadetship/ apprenticeships through including additional contract requirements in key Service Provision contracts during next procurement process.

¹² Victorian Government Gazette G32 (7 August 2008).

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Previously, the tenderers were asked to provide an outline of how they would engage with the local community and provide job opportunities locally. General practice is that they will attempt to recruit locally in the first instance provided the potential employee is suitable for the roles in question.

This practice provides more of a logistical benefit rather than social benefit, as it reduces the time the employees need to get to work.

Local characteristics

- Absence of social enterprises
- High unemployment rate (8.9%)
- High unemployment rate among young people age 15-19 (24%)
- Substantial refugee community
- Unemployed people with disabilities

7. Different types of Social Procurement

Two primary forms of social procurement have been identified in local government:

- engaging a social benefit suppliers to deliver a good or service
- inclusion of a social benefit as a component of a procurement contract¹³

Social benefit suppliers (see **Table 1**) are organisations and businesses whose mission is centred on a social purpose, and/or owned by a group of people who are considered disadvantaged in their local community. By virtue of their ownership structure, social benefit suppliers channel economic and social resources into marginalised communities.

For example, social benefit suppliers may include Indigenous businesses, social enterprises, Australian disability enterprises, intermediate labour market companies, social firms, community enterprises, cooperative social enterprises, fair trade social enterprises, community development finance institutions or charitable business ventures.¹⁴

Social benefit suppliers are not the only way in which social procurement outcomes can be delivered (see **Table 2**).

A highly-desirable social procurement outcome is the placement of members of disadvantaged groups into employment and training. This outcome could be delivered through the inclusion of social benefit clauses in tenders and contracts.

In such instance a supplier could be required to employ a particular group from a specific community, as a way to provide employment for people who would otherwise find it difficult to find employment in the job market.

¹³ Social Procurement Tool Kit, DPCD

¹⁴ Social Procurement Engagement and Awareness Strategy, DPCD

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A brief description of each social benefit supplier (**Table 1**)¹⁵:

Australian Disability Enterprises	<ul style="list-style-type: none"> • Australian disability enterprises (ADE) have been developed to employ those experiencing difficulties in finding or maintaining employment in mainstream businesses due to a disability, or those who chose to work in an ADE dual focus of providing employment for people with a disability and operating a commercial business • There are 415 ADEs that employ approximately 22,000 people with disability across Australia
Charitable Business Ventures	<ul style="list-style-type: none"> • Charitable Business Ventures are operated by not-for-profit organisations to raise income which is reinvested in the charities primary operation • Some ventures align their product with their mission, while others raise income through business activities unrelated to their mission
Community Development Finance Institutions	<ul style="list-style-type: none"> • Independent financial institutions that provide community finance products and services to individuals, organisations, enterprises and communities who are underserved by, or have difficulty securing finance from, mainstream financial institutions
Community Enterprises	<ul style="list-style-type: none"> • Community enterprises developed by individuals or groups to address local issues or community needs
Cooperative Social Enterprises	<ul style="list-style-type: none"> • Cooperative Social Enterprises: <ul style="list-style-type: none"> ○ are democratic, member-benefit businesses which are formed to meet defined social needs of its members ○ provide a model for responding to a common need facing a group and strengthening communities through values and structures that foster self-help, self-responsibility and equality. • There are over 2,000 CSEs operating in Australia
Fair Trade Social Enterprises	<ul style="list-style-type: none"> • Fair Trade Social Enterprises are businesses that exist to benefit producers and workers in developing countries by paying fair prices for products and commodities which they on-sell in developed countries
Indigenous Businesses	<ul style="list-style-type: none"> • At least 51% owned by Indigenous Australians • Managed by an Indigenous Australian • Controlled by an Indigenous Australian • For profit • Trading as a business

¹⁵ Social Procurement Tool Kit, DPCD

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Intermediate Labour Market Companies	<ul style="list-style-type: none"> Businesses that create a bridge to the open labour market for individuals experiencing long-term unemployment and other significant disadvantage in the labour market
Social Firms	<ul style="list-style-type: none"> Not-for-profit businesses with the specific mission of undertaking commercial work to create employment for people excluded in the labour market as a result of mental illness, disability or other disadvantage
Social Enterprises	<ul style="list-style-type: none"> Social enterprises take a number of forms and can range from large enterprises, small businesses, not-for-profit, etc. Three key features of social enterprises are: <ol style="list-style-type: none"> A social purpose that is core to its focus, business and structure The key activity and income source is trading, with a significant portion of income coming from enterprising and business activities (as opposed to grants and philanthropy) A profit distribution that aligns with and supports the social purpose.

The type of social procurement to be undertaken often depends on the outcome that is being sought (Table 2)¹⁶:

Intended Objective	Mechanism for achieving that goal
<ul style="list-style-type: none"> Increasing local employment 	<ul style="list-style-type: none"> Employment opportunities stipulated in contracts Establishing a social benefit supplier Purchasing from a social benefit supplier
<ul style="list-style-type: none"> Purchase of goods or services including a social outcome 	<ul style="list-style-type: none"> Establishing a social benefit supplier Purchasing from a social benefit supplier Inclusion of social procurement requirements in a purchasing contract
<ul style="list-style-type: none"> Increasing employment of people from disadvantaged backgrounds 	<ul style="list-style-type: none"> Training and/or employment opportunities for disadvantaged groups in the municipality (for example disabled, youth) Establishing a social benefit supplier Purchasing from a social benefit supplier
<ul style="list-style-type: none"> Raising awareness 	<ul style="list-style-type: none"> Promotional activities Social procurement investment mapping
<ul style="list-style-type: none"> Capacity building in the local community 	<ul style="list-style-type: none"> Promotional activities Social procurement investment mapping
<ul style="list-style-type: none"> Environmental sustainability 	<ul style="list-style-type: none"> Inclusion of social environmental requirements in a purchasing contract

¹⁶ Business Case Template for Social Procurement, DPCD

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8. Outcomes and benefits of Social Procurement

Under the *Local Government Act 1989*, Victorian councils have a responsibility to properly manage public goods, resources, and/or facilities in a way that supports sustainable development objectives and promotes the public interest. Social procurement can achieve the best overall cost-benefit outcome if the benefits and costs are assessed in more than monetary terms.¹⁷

The outcomes of social procurement may include:

- creation of training and employment opportunities through procurement processes, clauses and specifications in contracts
- addressing complex local challenges, such as intergenerational employment, crime, vandalism and economic decline in local communities or amongst disengaged groups
- encouragement of local economic development and growth promotion of fair and ethical trade
- social inclusion, particularly for vulnerable groups - giving them the opportunity to participate in the community and the economy
- engagement of small-to-medium enterprises and social benefit suppliers - providing them with the same opportunities as other businesses, including the ability to engage in procurement processes
- securing a council's reputation and leadership in recognising and implementing corporate social responsibility initiatives in the public sector.¹⁸

Social procurement can assist councils to:

- address complex issues facing the community
- ensure procurement practices are sustainable and strategically aligned with council objectives
- build and maintain strong communities by generating local employment
- build and maintain a strengthened local economy
- achieve greater value for money for their communities.¹⁹

It is important to link social procurement to the broader goal of sustainable procurement and to articulate the importance of and links between all three triplebottom line sustainability goals – economic, social and environmental.²⁰

9. Best practices/ case studies

Social procurement offers a great vehicle for councils in addressing complex social issues in the long term.

¹⁷ Social Procurement Tool Kit, DPCD

¹⁸ Social Procurement Tool Kit, DPCD

¹⁹ Social Procurement Engagement and Awareness Strategy, DPCD

²⁰ Social Procurement in Australia – A Compendium of Case Studies, 2010

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Case study 1: The City of Yarra

The City of Yarra, in working with a social benefit supplier, the Brotherhood of St Laurence, were able to create long term pathway for employment for 17 public housing tenants through a street cleaning contract. Employment of these tenants led to long term positive social outcomes across the municipality, such as a reduction in unemployment rates.²¹

There were three complex and seemingly unrelated issues facing the City of Yarra some years ago:

- Problems with some of the public housing high-rise estates: High unemployment, vandalism, drugs and few pathways out.
- Ageing workforce in Council depot (average age of 52 years), recruitment issue, lack of younger applicants for jobs, Council forced to pay high costs to use labour hire companies.
- Quality issues in the contract for street cleaning, which was in its final year before coming up for tender.²²

The Council saw two key opportunities in the situation:

Opportunity 1: Think strategically and creatively to see if there was a connection between the issues.

Opportunity 2: The street cleaning contract was due for renewal within the next year, and although the contractor wasn't willing to become directly involved in the issues facing council, there was an opportunity to initiate a contract variation and to use this to explore the options for connecting the three issues above.

The procurement solution:

The City of Yarra examined the issues in conjunction with a non-profit, (Brotherhood of St Laurence (BSL)), and decided to embark on a joint venture to develop innovative solutions to the issues.²³

Council entered into an MOU with BSL and put in place extra reporting requirements and greater levels of monitoring/evaluation than for a traditional contract.

Under the terms of the MOU, the aim of the joint venture was to:

- "develop a street sweeping model that suited the needs of Yarra City Council in terms of both efficiency and outcome; and
- develop pathways into employment for long-term unemployed residents in the City of Yarra".

The BSL provided the training, traineeship support and funding to operate the transitional labour market social enterprise that was to ensure that the long-term unemployed residents in the identified target group were employed and trained. The Council provided key infrastructure, access to the depot, equipment, technical support and advice. The

²¹ Social Procurement Tool Kit, DPCD

²² Social Procurement in Australia: A Compendium of Case Studies

²³ Social Procurement in Australia: A Compendium of Case Studies

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performance outcomes that were monitored through the MOU focused on both service performance: related to how clean the streets were kept (“cleanliness standards”); the continuous improvements in “the way the work is conducted”; the “training and support provided to trainees”; the “successful transitions into the open labour market for trainees”; and the “overall effectiveness of the program”.²⁴

The outcomes and benefits:

- High quality street cleaning service.
- Council was able to recruit a number of the trainees (once they had completed their traineeships) into their depot workforce, and also to jobs that they had previously been unable to fill in areas of graffiti removal and weed control.
- Opportunity to diversify Council workforce – positive impacts on organizational culture and reduced racism.
- Pathway to employment established for young people from the estate – there are around 17 of these young people now working at the depot.
- Positive impact for employed residents and for the estate residents as a whole – less fighting, vandalism, drugs, and improved perception of estate residents from other council residents.
- Cost savings for Council in the long-term – no more need for continued use of expensive labour hire companies, solving of recruitment problems, less vandalism on the estate, less drug use. Taking a holistic view of the situation there are significant public savings even beyond Council. Although there were some increased costs to start with (more active engagement in the work than would be in a traditional contract), the long term and broad benefits far outweigh these costs.
- Contribution to building a more diverse supply market in the local area as it was almost a monopoly.

Key lessons from the case study for suppliers

- As public sector organisations are increasingly trying to address multiple objectives and tight revenue environments they will focus more on ensuring that the supplier market is diverse and competitive, and they will be looking to develop innovative solutions to the complex issues they face.
- Contracts in which both quality service and social impacts are deliverables will need to monitor performance on both these outcomes. Documenting and verifying performance on both service and impact will be a crucial part of demonstrating high quality performance in these contracts.

Key lessons from the case study for other Procuring Organisations:

- Joint venture models exploring innovative ways to address complex issues and / or opening new market areas are effective and efficient ways to test and develop processes. They are usually time limited and the resultant service models could be put out to open tender following the joint venture project.
- Procurement can play a very strategic role in organisations and can help organisations to meet their social, economic and environmental objectives.
- Ensuring that supplier markets are diverse can be a positive way of continuing to

²⁴ Social Procurement in Australia: A Compendium of Case Studies

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guarantee quality services – contractors who operate in virtual monopolies do not have good incentives to continue to improve the quality and cost-effectiveness of their services.

- Place based uses of social procurement can have dramatic impacts in helping to address complex and long-standing issues.²⁵

Case Study 2: Places Victoria

Places Victoria, previously known as VicUrban is an agency of the Victorian Government responsible for overseeing sustainable development in Victoria, Australia.

Places Victoria has undertaken a major work in and around the suburb of Dandenong, including the \$290 million Revitalising Central Dandenong urban renewal initiative. As part of this work, Places Victoria introduced a Community Benefit and Economic Vitality Clause into its tenders to encourage potential contractors and developers to consider how their work could benefit the Dandenong community and economy in ways that went beyond the provision of infrastructure.

The lessons from requesting positive social benefits from outsourced major development contracts have highlighted the importance of monitoring and evaluating social impacts that are built into the contracts. In particular, it has proved important to ensure contractors and developers are aware that delivering social benefits is a core part of the work, not an optional extra or an aspirational goal.²⁶

Places Victoria's community benefit and economic vitality requirement:

I. Employment and Training

- Describe the steps that will be taken to ensure that local apprentices, trainees, unemployed persons and residents of the City of Greater Dandenong will be engaged for the duration of each contract.
- Describe how you will achieve compliance from sub-contractors necessary to meet the employment requirements.
- Describe your policy with regard to training and new apprenticeships and identify and describe opportunities for increasing skills of employees.

II. Targeted Recruitment

- Describe the steps that will be taken to ensure that all vacancies, including those with subcontractors, are notified to local agencies.
- Describe the steps that will be taken to ensure that information on the numbers of vacancies filled by local people are recorded for monitoring and reporting purposes.
- Describe the steps that will be taken to ensure that suitable apprentices / trainees are engaged.

III. Local Business

- Describe activities that you will undertake to identify local SMEs and assess their capacity to deliver works, services or supplies that are required for the contract.

²⁵ Social Procurement in Australia: A Compendium of Case Studies

²⁶ Social Procurement in Australia: A Compendium of Case Studies

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- Describe any actions you will undertake to support or assist local SMEs to obtain contracts in relation to the Revitalising Central Dandenong initiative.

IV. Social Enterprise

- Describe any experience or evidence from other areas that has influenced your thinking on support for social enterprises.
- Describe the support you will give to social enterprises, including development support, business support and funding.

Contractors are also required to complete information about how the above will be recorded, monitored and reported, including sub-contractor requirements. In addition contractors are required to name who will be responsible for ensuring that the Community Benefit requirements are met.

Finally, potential suppliers are required to list the predicted outcomes for each community Benefit requirement.²⁷

Requirement	Unit of Measure	Predicted Outcome
Number of new recruits	No. of people	
Number of apprentices that will be recruited	No. of people	
Number of trainees that will be recruited.	No. of people	
Level of local content	No. of people	
Vacancies to be advertised.	No. of vacancies	
Work opportunities for social enterprises	% of overall spend	
Work experience opportunity	No. of placements	
Local SMEs assessed as potential suppliers	% of overall	

Key lessons from the case study:

- Suppliers should be able to outline their methodologies for delivering on social benefits.
- In delivering social benefits, partnerships can be important.
- Social procurement requires a team approach – certainly one or two people can be champions, but if it is to become a reality across an organisation then a team approach is needed.
- It is helpful to develop a strategic framework and justification around how social benefits are weighted in the award process.
- A method statement is an effective way of asking contractors to outline their social impact methodologies and using these to monitor and evaluate impacts.
- For contractors who are not familiar with social benefits and impacts, the process needs to be clear and not too onerous or else the impact will not be delivered. Supporting contractors to link with social benefit suppliers and putting in place structures that will make engagement with social impacts as easy as possible will ensure that contractors are able to deliver on these obligations.²⁸

Case Study 3: Moonee Valley City Council

Through a partnership with a number of organisations, the Moonee Valley City Council (MVCC) has developed the Sustainable Employment and Economic Development (SEED)

²⁷ Social Procurement in Australia: A Compendium of Case Studies

²⁸ Social Procurement in Australia: A Compendium of Case Studies

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project to provide support for young people in the municipality through training and employment opportunities.

Opportunity

With high levels of unemployment in the high-rise public housing estate within the municipality, MVCC seized the opportunity to create employment positions within its council for young African residents aged 16-25.

Innovation

Commencing in March 2009, the SEED project was managed by MVCC but primarily funded by the Department of Innovation, Industry and Regional Development. The project also received funding from the Victoria Police and the Victorian Multicultural Commission (VMC). MVCC also partnered with numerous other community organisations, including the YMCA, who dedicated staff from its Bridge Project to work alongside council staff to share their expertise.

The outcomes and benefits

MVCC provided eight positions within council, which grew to 14 as the project progressed. By February 2010, 20 youths from the local area had been placed into employment. The initial investment by MVCC resulted in a broader group of local employers also employing young African housing estate residents in their respective organisations. As a result, the SEED project is now integrated in the MVCC's Economic Strategy. The second SEED project was funded in early 2010 by DIIRD, aiming to assist another 20 youths primarily from public housing estates within the municipality experiencing social disadvantage and difficulty accessing employment.²⁹

Key lessons from the case study:

- Forming strong partnerships with DHS, Centrelink, JSA's TAFE, local training organisations and employers contributed to the success of the project.
- It is important to identify and address the clients' needs
- Research needs to be conducted to estimate industry and employer requirements

Case Study 4: Department of Human Services

With the inclusion of social clauses in contracts, the Department of Human Services has awarded contracts on the condition that positive social impacts are delivered to the community.

²⁹ Social Procurement – A Guide for Victorian Local Government, DPCD

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Opportunity

The Department of Human Services (DHS) Housing Division provides public and social housing for those most in need in the community, delivering an integrated service that offers stable housing along with the opportunity and support for residents to thrive in the local community.

The DHS Housing Division adds social clauses into many of its contracts, stating that contractors employ a certain number of public housing tenants (with numbers of tenant employees varying according to the size of the contract) as a key deliverable. This clause covers a range of contracts, from basic services such as cleaning, landscaping and security, to more complex services such as construction.

The Public Tenant Employment program

The social clauses are supported by the Public Tenant Employment program (PTEP), a State Government funded program that assists contractors through the provision of recruitment services, including sourcing tenant recruits and ensuring that all necessary checks and qualifying certifications have been undertaken.

The outcomes and benefits

The benefits of the PTEP and the inclusion of the social clauses in procurement contracts include:

- providing tenants with a pathway out of poverty
- lowering the turnover of tenants due to stable employment
- providing tenants with training opportunities they would not have otherwise received.

The PTEP represents a cost effective strategy for DHS, having led to almost 650 jobs and over 1300 training opportunities for public housing tenants over the past five years.

Key lessons from the case study:

- Incorporating the social clauses into contract deliverables is not a simple task. A number of barriers had to be overcome, such as:
 - addressing the assumptions underlying the opposition to the clauses, including perceptions about public housing tenants and potential negative reactions from contractors
 - addressing perceived legal and structural barriers
 - anticipating potential legal challenges before they were made
 - ensuring that the clauses were compliant with National Competition Policy
 - ensuring that all relevant stakeholders were consulted and kept informed of developments in relation to the clauses, including unions and other job network providers.³⁰
- Partnerships are essential in delivering social benefits.

³⁰ Social Procurement – A Guide for Victorian Local Government, DPCD

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10. Risk Analysis

It is important to understand the risks that might be associated with Social Procurement. Some of identified potential or perceived risks are listed in the **Table 3**:

POTENTIAL OR PERCEIVED RISK	MITIGATION STRATEGY OR RESPONSE
Failure of a social benefit supplier to deliver the negotiated services	<ul style="list-style-type: none"> • Specifications in the procurement documentation and the project contract should carefully and clearly outline the required outcomes of the project. The successful organisation must be able to prove that it can deliver these outcomes. • Project risk log (initiated at the outset of the project) should immediately identify any delivery problems to enable the supplier to mitigate the problem through a rectification strategy as soon as possible. • Communications strategy developed with the supplier should specify that suppliers must immediately contact the council when a delivery problem is identified.
Failure of the supplier to achieve the specified social outcome of the project	<ul style="list-style-type: none"> • Specifications in the procurement documentation must clearly outline the social outcome(s) that the project is expected to achieve. In its response to the procurement (for example, tender), the successful supplier must have provided a methodology which will achieve the specified social outcome. • Project risk log (initiated at the outset of the project) should immediately identify a social outcome delivery problem to enable the supplier to mitigate the problem via a rectification strategy as soon as possible. • Communications strategy developed with the supplier should specify that suppliers must immediately contact the council when a delivery problem is identified.
There are insufficient suppliers to provide a service	<ul style="list-style-type: none"> • During business case development, the council should undertake market research (including a Request for Information or an Expression of Interest) to ensure that there are sufficient organisations in the market capable of delivering the service.

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	<ul style="list-style-type: none"> In the event that there are few organisations capable of undertaking the project, a more targeted procurement process may be undertaken (for example, a selective procurement).
Project costs are exceeded	<ul style="list-style-type: none"> Cost requirements must be clearly articulated in procurement documentation. The successful supplier must have provided a clear breakdown in its costs to deliver the project and these should be deemed by the council to be reasonable and acceptable. Council should include a contingency cost (between 5%-10% at discretion of council) in the business case to cover small-scale cost overruns. Project risk log (initiated at the outset of the project) should immediately identify cost overruns and the communications strategy developed with the supplier should specify that suppliers must immediately contact the council when a cost overrun is identified.
Issues affecting competitive neutrality	<ul style="list-style-type: none"> No organisation should receive any communication about a potential social procurement project which other organisations do not receive unless: <ul style="list-style-type: none"> this organisation can be proven to provide a unique service, and an exemption to negotiate with the company providing the unique service is secured. If the council is seeking to develop the capacity of a particular organisation, this can be provided through a third-party organisation, to ensure that the organisation and the council are at arm's length.
Supplier insolvency	<ul style="list-style-type: none"> Due diligence review of any potential supplier should be undertaken prior to the appointment of the supplier. Procurement documentation must include the requirement for suppliers to provide key information to prove their financial solvency. For larger projects, a detailed financial viability assessment of the suppliers should be sought from a corporate advisory consultant.³¹

³¹ Social Procurement Engagement and Awareness Strategy, DPCD

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11. Proposed recommendations

It is recommended that Executive consider the information and research undertaken and presented in this report, and endorse the following recommendations:

- Identification of Project Manager (recommendation for it to sit in Council's procurement area)
- Formation of a Project Working Group (PWG) to explore how Social Procurement principles could be incorporated into Council tendering processes.
- Terms of reference to be developed to guide the work of PWG.
- PWG to develop a framework for the incorporation of Social Procurement at Council including the identification of organisational KPI's and the type/ range of contracts that social procurement can be applied to
- Presentation to Management Forum on Social Procurement and key information as outlined in this report
- PWG to report to Executive a documented process/ framework for incorporating Social Procurement principles into Council's tender document processes and contracts.

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12. Samples of Social Procurement Clauses

Sample 1:

Office of Housing
Tender Form 3
Public Tenant Employment-Tender Form & Special Conditions

Contract No.:
Description of Works :
Location of Works:
Special Conditions

There is no requirement for PTE when the tender amount is less than \$300,000 or the works are not for the Director of Housing or the work is for Moveable Units Contracts. PTE is required for all other types of contracts.

Definitions

PTEP currently applies only to Contracts on land owned by the Director of Housing.

Public Tenant Employment Program (PTEP) addresses the higher level of unemployment of people living in Public Housing in Victoria by the including of employment criteria in Office of Housing contracts.

Public Tenant Employee (PTE)

Public tenant employees qualifying for this contract are persons residing in Public Housing or Social Housing.

Long Tern Public Tenant Employee

The Public Tenant employed full time for a period of at least one year (12 months).

Effective Full Time Employment (EFT)

Work may be in any type of construction related work such as such as a trade apprenticeship, labouring, driving, store, plant or office administration.

Employment may be for periods shorter than the required period provided enough tenants are employed in order to achieve the total number of effective full time hours required.

Requirements

Conditions of Employment

Tenants employed must have same awards, conditions and contracts that the industry usually uses.

Recruiting

The contractor may recruit from any source, but the PTEP Team provides a free recruitment service if requested. The PTEP Team will advertise your PTEP vacancies and you will be provided with resumes of suitable applicants for you to interview.

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Training/Induction

Usual OH&S and induction training shall be provided to ensure workers are competent for the tasks they are employed for. Traineeships and apprenticeships are good ways of providing employees with a free qualification. These may attract subsidies and the PTEP Team can assist you with this.

Further Information and Support

The PTEP team are available to support you, your site managers, and tenant employee/s. Your partnership in this program is greatly appreciated. For more information or assistance with recruiting contact the PTEP Team on 90961270, email ptep@dhs.vic.gov.au or www.housing.vic.gov.au/ptep

Monitoring and Reporting

Compliance or failure to comply with PTEP requirements will be monitored as part of overall performance management and centrally recorded by the Office of Housing.

Failure to satisfy PTEP requirements may be taken into account for subsequent tendering purposes.

Provide a verbal report at each site meeting to be recorded in the Site Meeting Minutes.

Provide reports using the following forms. Reporting forms are provided in the Part 1 of the Tender Documents in the Specification and may also be provided to the contractor upon request to the OoH Project manager.

413-32 PTE Registration Form	Complete at the commencement of the employment of each Public Tenant
413-34 PTE Quarterly Reporting Form	Complete quarterly on the last working day of March, June, September & December
413-36 PTE Completion Summary Form	Complete prior Issue of Practical Completion

Minimum Number of Public Tenant Employees Required

When the tender amount equals or exceeds \$300,000 employ a Long Term Public Tenant or employ one within one month of possession of site.

When the Tender Amount equals or exceeds \$2,000,000 employ Additional Public Tenants in accordance with the following schedule and Conditions from 1 month after date of Possession of Site until the Practical Completion, (Contract Duration):

Tender Amount equals or exceeds	Additional Public Tenant Employees to be employed
\$2,000,000	1
\$4,000,000	2
\$6,000,000	3
\$8,000,000	4
\$10,000,000	5
\$12,000,000	6

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Tender Form 3

I / We, [Name of Tenderer].....

of [Address of Tenderer].....

.....

ABN No: Telephone No.:.....

ACN No: [If applicable]..... Facsimile No.:

Hereby undertake to employ the Required Number of Public Tenants as follows:

Public Tenant Employees employed at the time of tender

Long Term Public Tenant Employees to be employed for this Contract

Additional Public Tenants to be employed for the Contract Duration

Total

Signed:..... Date:

Name:.....

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Sample 2:**PTEP Information Sheet - Version 1 6 September 2010 Australia****Public Tenant Employment Clause**

DHS and the Director of Housing are committed to improving employment opportunities available to tenants of Public Housing.

Contractors entering into contracts with the Director Of Housing (DoH) with a Public Tenant Employment (PTEP) clause will be required to employ public housing tenants. The intention of the clause is to provide opportunities for DoH tenants to gain work. To ensure this is meaningful for yourself and your potential employees, it is suggested that you consider the best way for tenants to be employed to suit your workforce needs. You can consider any category of work such as apprentices, labourers, office administration.

For this project the definition of 'public tenant' is being substituted for 'a person who identifies as Aboriginal or Torres Strait Islander.'

Recruiting

Employment of public tenants can be achieved by employing directly or via your sub-contractors. Any public tenants already employed will be taken into account for meeting these requirements.

PTEP can assist with the recruitment of public tenants or you may wish to contact a local Job Services Australia provider to source Aboriginal or Torres Strait Islander candidates.

Employing tenants

When you have selected your employees you should proceed in the usual way. The employees should be under the same conditions and contracts that you usually use. The employee should not displace your existing workforce.

Apprenticeships

You may employ an apprentice directly with your company or through a Group Training Company. Group Training Companies (GTC) are the legal employer and take responsibility for wages, superannuation, administration and skill development. If you are unable to offer ongoing employment the GTC will take responsibility for placing the apprentice with another host employer.

For more information about apprenticeships: www.aapathways.com.au

Federal and State Government Wage Incentives maybe available if you employ an apprentice.

Employer incentives:

- Commencement Incentive Payable at 3 Month Point of Apprenticeship \$1500
- Completion incentive payment of \$2500 payable on successful completion of apprenticeship

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Apprentice incentives:

- Tools for you Trade allowance, payable at 3 Months, 12 Months, 24 Months, 36 Months and Successful completion. Total of these payments is \$5500 throughout the apprenticeship
- Apprentice may also receive a State Trade Bonus payment (\$250 at 6 Months and \$250 at 12 Months) - Totalling \$500

The incentives are reliant on previous qualifications, and based on criteria of candidate.

There may be additional financial assistance for apprentice for example, Living Away from Home Allowance.

Paperwork and reporting

When employing someone through PTEP you will need to complete the Tenant Employee Registration form.

You will also be asked for an update at site meetings and a written report at approved periods or prior to practical completion. The PTEP team will be available throughout the life of your contract to provide support to you, your site managers, and the employees.

Contact the Public Tenant Employment Program

If you have any further queries please contact the PTEP team at:

Phone: 1800 451 553

Email: ptep@dhs.vic.gov.au

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13. References

- 1) Social Procurement: A Guide for Victorian Local Government DPCD
http://www.dpcd.vic.gov.au/data/assets/pdf_file/0015/140523/Social-Procurement-A-Guide-For-Victorian-Local-Government.pdf
- 2) Social Procurement Engagement and Awareness Strategy, DPCD
- 3) Social Procurement in Australia: A Compendium of Case Studies, Centre for Social Impact, University of New South Wales, 2010
- 4) Social Procurement Tool Kit, DPCD
<http://www.dpcd.vic.gov.au/localgovernment/local-government-reform/social-procurement>
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- 6) Corporate Social Procurement in Australia, Social Traders, The Faculty, Research Report 2013
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