

A supplement to the Social Procurement in Australia report

# **Social Procurement in Australia: A Compendium of Case Studies**



This compendium of social procurement case studies is a supplement to the report “Social Procurement in Australia”. The case studies (while they stand alone as indicators of how social procurement has been applied in the Australian context) are best contextualized and framed when read as part of the broader report.

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The report, the case studies compendium and a guide to social procurement for Victorian local government were commissioned by the  
**Centre for Social Impact, University of New South Wales.**

While the contents of each case study have been checked and approved by the organizations concerned, any mistakes remain the responsibility of the author.

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## Introduction to the case studies

These case studies are designed to unpack some of the concepts and ideas presented in the 'Social Procurement in Australia' report. They represent only a handful of the many examples of social procurement that were identified over the course of the research. However, even this handful of examples provide an important opportunity to examine more deeply the practicalities of developing social procurement in different settings and contexts.

While this is by no means a representative nor comprehensive sample of social procurement practices in Australia, each case study highlights particular learnings that may inspire or assist others in developing social procurement policies or practices. These case studies were chosen because they highlight some of the key learning for both suppliers and purchasers and therefore contribute to the development of further knowledge in relation to social procurement more broadly. Table one below names the case studies and also outlines why these particular case studies were chosen for inclusion in the compendium.

Organisation	Why this Case Study was Chosen	Page
<b>Parramatta City Council, NSW</b>	Parramatta City Council is in relatively early stages of developing its social procurement work. It therefore highlights some of the foundations that need to be developed for social procurement to flourish and it unpacks some of the difficulties and tensions involved in developing social procurement policies and practices.	4
<b>City of Yarra, Victoria</b>	City of Yarra is an excellent example of a joint venture model that resulted both in market development and also in internal benefits for the Council, who were able to train a range of new employees for their works department.	8
<b>Brisbane City Council, Queensland</b>	Brisbane City Council has often been seen as a leader in the development of social procurement policy in Australia. This case study examines their policy and provides an important view of how social procurement can be developmental in nature.	11
<b>VicUrban, Victoria</b>	VicUrban works in specific localities, often with large infrastructure and construction suppliers and has begun to examine how social benefits could be incorporated into the contracts associated with these projects. They have developed excellent examples of clauses and method statements.	16
<b>Department of Human Services, Victoria</b>	The Victorian Department of Human Services, through their Neighbourhood Renewal Programs and their Tenant Employment Programs in Housing, have demonstrated how social procurement can have huge impacts in place-based work. This case study illustrates how the use of social clauses and policy can complement place-based policy and practice.	19
<b>National Australia Bank (NAB)</b>	NAB has become Australia's largest fair trade workplace through its purchase of fair trade tea and coffee for its many work sites. This case study provides some important insights into social procurement beyond employment outcomes and also what some of the challenges are of developing social procurement in a corporate environment.	26

**Table One: An overview of the case studies included in this compendium and the key reasons they were chosen**

It is hoped that this compendium will represent only a starting point for the collection and dissemination of case studies documenting examples of social procurement in Australia over coming years. Some other examples are recognised in the text of the report and also in the Victorian Government social procurement report (see [www.dpcd.vic.gov.au/localgovernment/councils-reforming-business/procurement](http://www.dpcd.vic.gov.au/localgovernment/councils-reforming-business/procurement)), yet there are a great many others that space and time did not permit us to include. The work of the ACT government, NSW Housing and many councils, including Marrickville, Logan and Ipswich (to name some prominent examples) should be particularly acknowledged and it is recommended that this work be documented in future case studies.

## CASE STUDY: Parramatta City Council A Beginners Guide to Social Procurement

Parramatta City Council has had a very active and successful social enterprise capacity building program over the past four years, and as part of this program has explored the possibilities of developing social procurement practices.

*“What we want is not social procurement just for the sake of it – we want the outcomes that social procurement is going to get – making sure that we are having a positive social impact in our community in relation to what we spend”*

*“Our role as a Council is pretty fundamental – local government has a built-in purpose of serving and benefiting its community in the way it does its work. We are local, we define our community physically – there’s really nobody better placed to generate social procurement. If any one is going to break down the barriers to addressing community objectives through procurement then it’s probably going to be local government”*

Parramatta City Council is in the early stages of developing its social procurement practice and therefore it is an excellent case study in the sorts of practical processes involved in initiating social procurement. The Council sees social procurement as part of building sustainable procurement practices, in addition to helping to consolidate its work with local social enterprises through ensuring that they are part of a diverse supplier market and have the capacity to be able to compete effectively for Council contracts.

*“We’ve had two conversations in relation to social procurement. Firstly developing something that we specifically target – like a joint venture model where we try to create an impact, and use some kind of procurement tools to do this. Second, looking at particular contracts and building social impacts into these, including questions that ask our suppliers to think about how they could deliver social impacts around our target areas and that might involve including questions in the tender processes, allowing everyone to respond to this – and including some weighting of this”.*

*“We have a procurement policy that has an attachment that is about sustainable procurement. We actually need to get sustainability into the policy – so **it is the policy**, not a side issue. Also, what we’ve got now is the environmental side of sustainability – we need to add the social side of sustainability in now too”.*

Parramatta has developed two streams of practice in relation to social procurement – first, focusing both on ensuring a diverse supplier base that includes social benefit suppliers, and second, exploring how to build social impact into mainstream contracts by including social clauses in tender documents and assessing these as part of the contract award processes.

The following page outlines some of the key questions that Parramatta City Council has raised in relation to building its social procurement framework.

### Why social procurement?

- What is the value-add for Council if we add social procurement to our procurement practices?
- How will social procurement help us meet our objectives?

*"I've got to sell this to the managers – and they want to know what the advantage is of doing this? Why should council do this, what's it going to add to what we're doing now? I'd personally love to see some value-add to our community through procurement, but it's really about selling it internally – especially to the senior managers and to the councilors. And it's a hard sell – the environment is a hard sell, this is even harder. Council won't accept it if they don't understand the logic behind it".*

*"We're not going to do it because it's a good thing – we're doing it because it helps us do our job – it helps us meet our objectives.*

### What social impacts / social benefits are we trying to achieve?

- What are the social impacts or benefits we are trying to achieve in our procurement practice?
- What are the indicators that would demonstrate whether and how well we are achieving these social impacts?
- What are the questions we are going to ask in our tender process in order to include these social impacts?
- How will we measure the social impacts we want our suppliers to deliver?
- How will we know they are being delivered?

*"From a public sector perspective, at the end of the day, it's got to come back to social impact – you've got to be able to demonstrate that by procuring in this way you're adding some additional benefit and therefore adding value. All the work that's going on around social impact at the moment is absolutely critical – until we can crack that nut it's going to be really difficult. It can't be something like an SROI – a huge spread sheet that takes months, and that costs a fortune. The procurement officers are just not going to go for that – they want like a one pager or better still a box that they can tick. So at the moment, the gulf between what they have and what they want is extreme. There's got to be some pulling together between these things".*

*"In a tender document we need to put (the impact) in words that people will understand – people don't understand things that are complex and then they won't spend the time doing it. We need measures that we can use and that people will understand – because that's the other part of it – people won't assess it if they don't understand the measure. Because we've got a decentralized procurement system everyone who purchases something has to understand the measure. I've got to see meaning in it and I've got to value it if it is going to be included".*

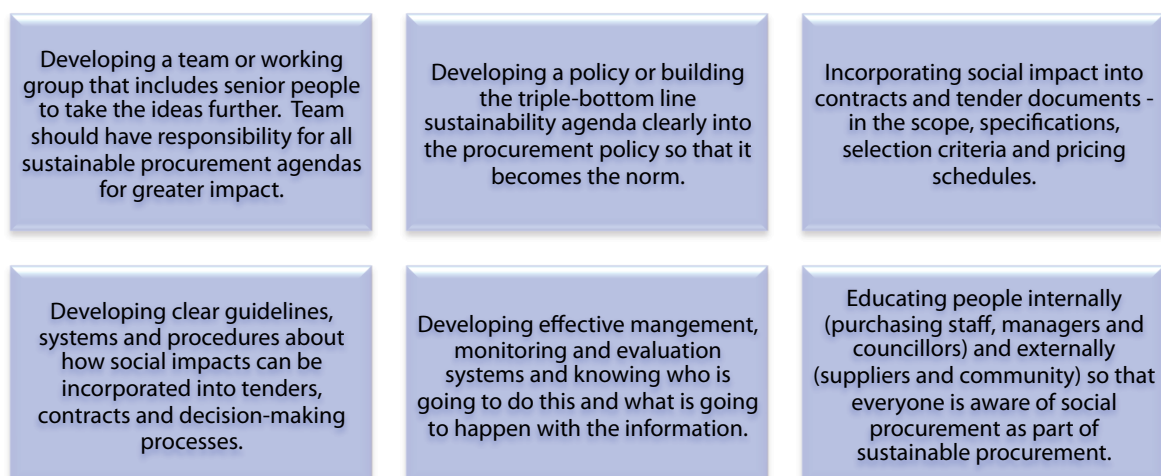


In Parramatta City Council, like in many other organisations who have adopted social procurement practices, there are particular individuals who have championed the idea, developed the concepts and led the conversations within Council about these concepts. Some important work has been undertaken in Parramatta City Council by these individual champions. This has focused particularly on the following areas:

1. Developing the dialogue between the community services / capacity building department of the Council and the procurement staff;
2. Developing external connections and networks around social procurement agendas, learning from what has happened elsewhere and sharing this within Council;
3. Developing the practical pathways for how to enact changes in procurement so that social impacts can be incorporated alongside other sustainability impacts;
4. Building on experiences of small scale purchase to build confidence on both sides and support small emerging Social Benefit Suppliers.

The current focus is on developing a draft Sustainable Procurement Framework, which will be the subject of consultation with Councillors, the community and internal stakeholders. Whilst still at the exploratory stage the draft Framework will broadly cover the following elements: sustainability questions and weightings; establishment of a cross-functional tender evaluation process; internal and external case study examples; sustainability performance data collection processes; sustainability evaluation and reporting processes; information and support to staff to assist with implementing the framework; internal and external training. Careful consideration is being given to the integration of this with the procurement system as a whole.

The pathway for developing social procurement further in Parramatta City Council is now much clearer – and provides some important insights for others looking to begin the process of enacting social procurement processes (see figure 1 below).



**Figure 1: A pathway for developing social procurement in Parramatta City Council**

*"Show us and demonstrate to us how what you are doing helps the disadvantaged in Parramatta, and then we might give you an extra 5% credit in your weighting in the decision-making process. If all else is the same but one group is offering a social benefit then that might tip the process in their favour.... You've got to ask them to do things that are clear, doable and measurable. And you've got to say if it's mandatory or not. In reality, most tenderers will only do what they have to. If it's not a requirement, it probably won't happen. It's how you frame it without putting too much of an impost on them or making it unfair".*

### Things that have helped to develop social procurement:

- Champions within the organisation who have promoted the concept and led its development;
- Development of a dialogue and relationship between the community capacity building section of Council, the environmental sustainability staff and the procurement staff – so there are connections into sustainability and procurement agendas;
- Motivation to “get the basics in place, to do the homework and get it right from the start”;
- Focus on making the process as clear, simple and understandable as possible;
- Clear links between social procurement agenda and Council objectives.

### Key Challenges into the future:

- Growing support and understanding across the organisation – in the bureaucracy and amongst the political leadership;
- Ensuring that policies are enacted and that contractors deliver the impacts so that social procurement is translated into action rather than being aspirational;
- Ensuring that all purchasing staff are aware of social procurement and have clear guidelines to enact it;
- Developing ways to manage, track, monitor and evaluate the social impacts generated;
- Embedding social procurement into sustainable procurement agendas and then making this ‘normal’ practice in Council.

### Key lessons from the case study for suppliers

- Demonstrating impact will be a key part of tendering and social benefit suppliers will need to articulate their impacts clearly in tender responses;
- Social benefit suppliers need to understand the tender process in public bodies such as local governments and be aware of the rules that surround it.

### Key lessons from the case study for other Procuring Organisations:

- Social procurement needs to be practical and easy to understand by all stakeholders – particularly frontline purchasing and procurement staff;
- Developing clear, measurable and practical social indicators so that contractors can report back on and be evaluated on their social impact deliverables is a key part of enacting social procurement;
- 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 triple-bottom line sustainability goals – economic, social and environmental. This will create hooks for people in organizations as the sustainable procurement agenda is already something that is being enacted;
- Clear definitions of terms such as ‘social impact’, ‘community benefit’ or ‘social enterprise’ are vital if social procurement is to be communicated to a broad range of stakeholders in and around an organisation.

*“Social procurement is one part of the mix of sustainability – we need to have consistency across sustainable procurement – we need to embed it, have champions in particular areas. We are trying to get the basics in place... we need to do the basics and get that right. It might be nice to get something up and running, but there’s more value in doing it right in the first place – doing the homework, putting out clear information to the market and having the support to do it”.*

## CASE STUDY: City of Yarra and Street Cleaning Joint Venture and Mutual Benefits

The City of Yarra, a Council located in an inner city area of Melbourne, has undertaken some innovative social procurement work over a number of years. This case study focuses on one example of such work.

The City of Yarra is home to a diverse range of people, including large numbers of recently arrived migrants and refugees. There are a number of high-rise public housing estates in the City, and these estates have been the subject of complex social issues over many years.

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

1. Problems with some of the public housing high-rise estates: High unemployment, vandalism, drugs and few pathways out.
2. 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.
3. Quality issues in the contract for street cleaning, which was in its final year before coming up for tender.

Rather than see these issues as unrelated and too difficult to address, 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.

Council negotiated a variation in contract with the existing supplier that excised particular localities and activities (and the money associated with this) from the existing contract.

Council applied for and were granted an exemption from the Minister for Local Government in Victoria to undertake the joint venture work without tendering for it on the open market. They had to obtain this exemption as the amount of money involved was over the threshold (of \$150,000). The value of the work was around \$300,000 per annum.

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:

1. "develop a street sweeping model that suited the needs of Yarra City Council in terms of both efficiency and outcome; and
2. 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 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”.

The outcomes of the joint venture program addressed all of the issues that were identified at the start – addressing training and employment for the high-rise estate residents, providing a new source of labour and new recruits for the Council depot as some of the trainees were employed at the depot following completion of their traineeships, and a more diverse supplier market which will increase quality outcomes in relation to the street cleaning contracts over time, as contractors become aware of Council’s commitment to high quality and ‘best value’.

**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.

**Things that helped to develop social procurement:**

- Intrapreneurs and strategic thinkers within the Council who could spot the opportunities and act on them;
- Support across the Council – from executives and Councilors, to the management and workers at the depot;
- Strong relationship with non-profit and joint venture approach whereby BSL did the training and support for workforce development and Council provided equipment.
- The work was low skilled, labour intensive and trainees could quickly develop competence and efficiency.

### **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 to exploring innovative ways to address complex issues and / or to 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 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.

## CASE STUDY: Brisbane City Council Developing the Social Enterprise Supplier Market

### **Beginnings: Champions and Intrapreneurs**

Brisbane City Council began its exploration of Social Procurement almost ten years ago, when Council undertook an innovation project with a local social enterprise, Nundah Community Enterprise Cooperative (NCEC) that employed people with learning disabilities in gardening, landscaping and catering work. Through the innovation project Council undertook to understand how it may be possible to purchase some gardening and maintenance services through social enterprises such as NCEC. All the parks in the area were maintained by a large, multinational contractor and it was clear that it would not be possible for a small, emerging social enterprise such as NCEC to compete with such large suppliers. At the beginning of the project many people in Council believed that it probably wouldn't be possible for Council to purchase the gardening and mowing services of NCEC due to procurement regulations and competition policies. However, there was a local asset services manager who believed it was possible and took the time to explore all the options. In addition, the Council CEO was a champion of social innovation and so the project was supported. The initial contract (in the form of an MOU) was small (\$3000) but had a significant impact for NCEC and their employees, as is illustrated in the quote below.

*"It was fantastic for us. Just even doing that initial \$3000 contract – that meant that could get people who were very unskilled to go and do the same job again and again and again, so they were able to develop their skills and learn the job. We were able to use machinery that was at a level that our people were able to use – so we used hand mowers because they couldn't use more complex machinery. It was easier to work with one customer (the Council) because for that \$3000 we would have had to find 15 to 20 individual customers, so it was easier to organise and it was a reasonable rate. It's been fantastic for the people here – it's been one of the most significant things that's happened in these people's lives. We're talking here about 15 guys who had been unemployed for 10 to 15 years on average. This was a very significant opportunity". Supplier*

Since that time Brisbane City Council has developed its social procurement practice and has undertaken further work with other social enterprises in areas of gardening, landscaping, mowing, parks maintenance, catering, street and asset maintenance, printing and design. The learning from this practice has informed the social procurement framework that Council has developed.

### **A Capacity Building Social Procurement Framework:**

Most procurement from Social Enterprises takes place within Council's standard quotation and tender processes. Brisbane City Council has also recognized, however, that many newer and smaller social enterprises do not currently have the capacity to compete for most commercial contracts, meaning that they are essentially excluded from becoming Council suppliers. Council further recognizes that these enterprises represent an important part of a diverse supplier base into the future – particularly if they are able to deliver quality services to council in addition to meeting Council's community and social objectives and values. Therefore, Brisbane City Council has explored and developed mechanisms within its procurement policies that enable them to procure directly from a single supplier or select group where a 'public interest' test is satisfied. These mechanisms provide limited exceptions to the standard quotation and tender processes and are considered on a case by case basis.

Brisbane City Council has clear social objectives built into its procurement policy, such as: "a commitment to advancing the social needs and requirements of Brisbane communities to advance the quality of life for all" (Annual Procurement Plan, 2009). The Council is exploring policies and processes to ensure that social enterprises are part of a diverse and dynamic supplier market, and that social impact becomes a recognized consideration in the Council's procurement practices. The pathway approach that Brisbane has developed is an example of how Council can use these mechanisms to build the capacity of smaller and newer social enterprises (in ways that are sustainable and sensitive to their social purpose) to engage with Council's procurement processes.

In one potential model being explored by council officers, a pathway approach focuses on building capacity to engage in competitive tendering processes that are appropriately aligned to their social purpose but which also help to avoid the scenario where social enterprises become dependent on council contracts. Council has been very proactive in working to grow the social enterprise sector in Brisbane and to develop its capacity through purchasing processes, engagement with mentors and intermediaries for support, and education processes designed to inform enterprises about procurement processes and prepare them for a competitive environment.

One possible model of this pathway approach being explored by Brisbane City Council is briefly outlined in figure 2 below.

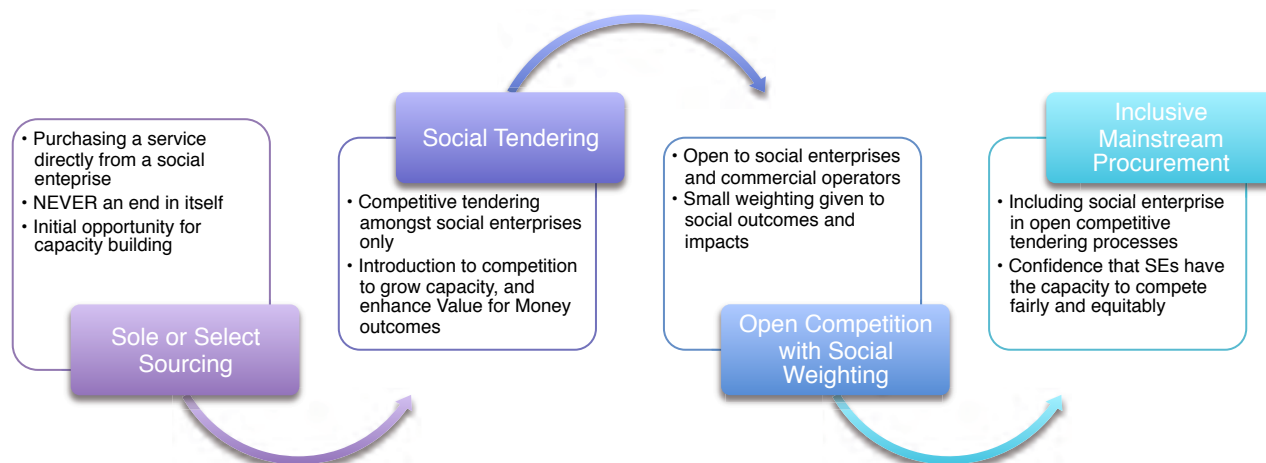


Figure 2: Brisbane City Council's Social Procurement Pathway

Not all enterprises may progress through the stages of the pathway, and the model is only one example of what could be achieved with social procurement. Council has always considered the impact of procurement processes on smaller suppliers, and at times has intentionally not aggregated contracts so that these suppliers would not be disadvantaged, and so that the supplier base could remain diverse. Council has also disaggregated or unbundled some of its larger contracts by taking out smaller parts, which have then been offered via an MOU to social enterprises who employ people excluded from the labour market. Council sees this as an important step for social enterprises, to expose them to the realities of delivering on contracts, and in so doing they build the capacity of the social enterprises over time to compete for larger contracts. This not only has a direct social impact, it also ensures that the local supplier market remains diverse over time. After demonstrating their ability to deliver on contracts offered via an MOU process, social enterprises may graduate to being able to compete against other social enterprises in a social tender, which offers larger contracts, but opens the tender only to social enterprises. Eventually the social enterprises may have sufficient capability and capacity to tender for mainstream contracts alongside other commercial suppliers – whilst still continuing to deliver social impacts in addition to particular goods and services.

### The Social Procurement Policy and Plan

As Brisbane City Council's experience with social procurement developed there were some very positive impacts both for the social enterprises and for Council. It was also evident, however, that there was a misconception that social procurement could not be justified as being in the public interest. Therefore, it was clear that if social procurement was to develop further then Council would need to develop more systematic procedures and processes around the Public Interest Test if it was to support social procurement. This would also help to dispel the myth that social procurement could only happen 'under the radar'. The Council established a **social procurement working group** comprised of members from procurement and asset services departments, and from community services. Together they developed a **social procurement policy** and a public interest exemption framework within Council's broader procurement policy which enables Council to engage in purchasing and procurement from social enterprises in a number of different ways.

Council has also developed an internal list of social enterprise suppliers which are flagged in Council's supplier database. Anyone in Council who wishes to purchase goods or services is able to access this list and is encouraged to consider purchasing from a social enterprise. The Council's procurement practices must comply with the procurement regulations and principles set out in the City of Brisbane Act (2010). Council has developed and approved some key exemptions from standard procurement processes for social procurement activities and outlines its targets and initiatives for social procurement in its Annual Procurement and Disposal Plans. The exemption sets out how Council defines suppliers under its social procurement framework, and, if they are using the Public Interest Test to engage social enterprises, then what must be considered by Council officers in determining whether it is in the 'public interest' to award a contract to a social enterprise outside standard procurement processes. The social procurement framework also outlines how procurement principles will be met and the responsibilities that Council officers have in relation to social procurement processes. The key parts of this framework are set out on page 15.

Having in place a recognized policy and procedure framework for social procurement has given the practice legitimacy and recognition, and provided an opportunity for this to become part of the mainstream procurement practices of Council.

*"We're not mandating anything – we're not saying you have to do social procurement, we're opening the opportunity – if you consider it and think you'd like to pursue it, then you have the option to do so. We don't want to constrain options we want to open options. You still need to justify how it is in the public interest".* Procurer

#### **Things that have helped to develop social procurement:**

- Getting the rules, definitions and policies right and having these endorsed by top management levels and all the relevant sections;
- Embedding social procurement into the mainstream so that its normal and anyone can do it;
- Developing a working group to provide a focal point for social procurement. This becomes an access point for anyone who is interested, wants advice or discussion, and is a mechanism for seeking further opportunities and developing strategies;
- Developing the connection between procurement roles and community service roles in furthering social procurement and finding social enterprise suppliers.

*"We don't want to do carte blanche for social procurement – it needs to be specific options for specific outcomes".* Procurer

*"It really helped having very senior people in the organisation being champions for social procurement – a lot of senior people have an interest and it really helped it happen".* Procurer

*"Sole sourcing is never an end in itself – it's only a means to an end in social procurement. If we see it as anything else, it'll lead to trouble both for enterprises and for us".* Procurer

*"Planning for competition will be challenging – social enterprises losing contracts could be a challenge. Not all social enterprises will make it and we need to open and honest about this".* Procurer

#### **Key Challenges into the future:**

- Introducing competition between social enterprises;
- Ensuring that social enterprises do not become dependent on contracts – and ensuring that they are aware that they may lose contracts over time;
- Ensuring that value for money principles do not reduce or threaten the social impacts that can be delivered over time;
- Ensuring that there is a continued articulation of the value of undertaking social procurement;
- Continuing the political and leadership support for social procurement over time;
- Ensuring that it doesn't cut out other suppliers – particularly SME suppliers over time;
- Identifying appropriate contracts and opportunities for social procurement.



### Key lessons from the case study for suppliers

- Entering procurement processes will put demands on the 'business' of a social enterprise. Care needs to be taken to ensure that the enterprise does not become dependent on single contracts, and that quality service outcomes and social impacts remain at the centre of the contractual relationship.
- It will become increasingly important to be able to articulate the social impacts and benefits that social enterprises deliver.
- It is important to engage with organizations as 'customers' – and to put energy into maintaining and growing customer relations. If a customer does not know of you, know your work and think of you when they need a service that you provide then it is not likely that you will be found or considered for those jobs.
- It is critically important for social enterprises to communicate any difficulties with meeting the requirements of a contract to the contract managers. In a contractual environment failure to deliver on the specified outcomes in the contract will reduce the chances of gaining further work for social enterprises.

*"We've got to have a public interest rationale for what we are doing and social enterprises can assist us in this regard. The representatives of the community need to be convinced that this (social procurement) needs to be done. It has to have political support and social enterprises can play a role in building this political support"* Procurer

*"We need to ensure that the core principles of procurement – effective and open competition and value for money – are not eroded over time. We need to navigate the tensions around this – social procurement can't degenerate into new forms of parochialism or just including everything. We need to hold the commercial line too. We'll be able to justify it on the basis that it's a means to an end – we're trying to grow competitive suppliers we're not trying to allocate or privilege particular segments of the market. It will be challenging in the future as it gets bigger and people want to challenge and push the boundaries further. In reality it still needs to be a case by case basis".* Procurer

*"Social procurement can't be something that becomes too comfortable – social enterprises have got to be on a path to some competitiveness. Council contracts cannot involve arrangements that start to be seen as some kind of right. Social procurement is a mechanism to build capability to be able to compete...if it gets to be seen as some kind of right than it will blow up – we are not talking about a hand out. It's not a right – it's a pathway, and it needs to be valued as being in the public interest to use this pathway".* Procurer

*"To make this work it takes a passion for social justice, vision to look for and see the opportunities, and an investment of time and energy to find the ways it can work within all the laws and regulations. You've got to have an appetite to do it and you've got to prove you can do it. And you've got to push back a little bit on the grey beards and test it!"* Procurer

### Key lessons from the case study for other Procuring Organisations:

- In public procurement it is essential that all rules and policies are documented and approved. This will ultimately determine the viability of social procurement in a public procurement environment.
- Linkages between the community services department and the procurement areas of the organisation were and continue to be critical in developing the Council's social procurement framework.
- It is important to consider opportunities for social procurement and to include this in purchase decision making processes – "is this an opportunity for social procurement?" Embedding social procurement into 'normal' procurement practices and educating everyone in the organisation who engages with purchasing is key to growing social procurement.
- Including social enterprises in the supplier database, and identifying them as social enterprises allows the organisation to track its spend with these suppliers and enables purchasers to easily identify or find social enterprises.
- It is important to develop social procurement policies in dialogue with key local social enterprises and social benefit supplier networks to ensure they are relevant and not developed in isolation from realities.

# Key Elements of Brisbane City Council's Social Procurement Framework

Most social procurement can and does happen within standard quoting and tendering processes. However, if the purchase is initiated under the exemption from mandatory competitive tendering processes, then this needs to be justified on the basis of the **public interest test**. The process for demonstrating this 'public interest' is outlined in the first box below. The process must still meet Council's procurement principles. How these principles are to be met under this framework is outlined in the second box below. This information has been endorsed under the Council's Annual Procurement Plan.

## Process

The basis for the decision to award any contract under this framework will be recorded in a formal submission. All submissions will address the following issues in assessing whether the public interest test has been met:

- The basis upon which the organisation is considered to be a microenterprise (ME), social enterprise (SE) or community enterprise (CE);
- How the contract will develop the capacity and/or capability of the MEs/SEs/CEs or otherwise contribute to Council's Procurement objectives or 2026 Vision;
- Market analysis including consideration given to commercial enterprises operating in the sector and whether they would be unduly prejudiced by the award of such a contract;
- Market analysis including consideration of other known MEs/SEs/CEs and whether it would be appropriate for the those organisations to compete with each other for the contract;
- How quality of the goods and/or services is to be ensured;
- How value for money will be achieved by Council; and
- Past performance of the supplier where a repeat contract is being considered.

Details of contracts entered into under this exemption with a value of \$100,000 or more will be reported to Council in the monthly delegates report.

## How Procurement Principles will be met

### Open and Effective Competition

- The exemption will only apply to contracts meeting the public interest addressing through the framework;
- The 'public interest test' is considered to provide exemption from the open competition requirement; and
- Contracts will not exceed a five year term without re-consideration of the public interest test.

### Value for Money

- Value for money will be specifically addressed by delegates under the framework for the public interest test.
- Ensuring the quality of the goods and/or services provided will also be specifically addressed by delegates under the framework for the public interest test.
- Proposals for repeat contracts with the same supplier will consider the performance of that supplier under the previous contract; and
- Where appropriate and where there is more than one ME/SE/CE providing the goods and/or services, a competitive process will be used to further drive value for money to Council.

### Encouragement of the development of competitive local business and industry

Fostering the capability and capacity of MEs/SEs/CEs will actively aid in the development of competitive local business and industry by assisting these organisations to grow into competitive suppliers.

### Environmental protection

No major impacts.

### Ethical behaviour and fair dealing

- Publicly announcing this approach in the Annual Procurement & Disposal Plan; and
- Where in a public procurement process a heavy weighting has been attached to criteria rewarding MEs/SEs/CEs or the process is restricted to MEs/SEs/CEs, this will be clearly articulated in the advertisement and Tender documentation.

## **Adding community benefit and economic vitality clauses to tenders**

VicUrban is the Victorian Government's land development agency, helping government to meet the challenges of population growth and increasing demand for housing by facilitating the delivery of high quality, affordable and sustainable dwellings.

VicUrban is currently undertaking major work in and around the suburb of Dandenong, including the \$290 million Revitalising Central Dandenong urban renewal initiative. As part of this work, VicUrban 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 Community and Economic Vitality Benefit Clause is still undergoing a period of testing, and VicUrban is learning from its experiences in Dandenong.

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.

VicUrban did not specify social benefits for the contractors, but rather, asked contractors and developers to identify the envisaged outcomes, in terms of numbers of people employed or the overall spend with local suppliers and social enterprises. A prime challenge of this approach has been ensuring that the contractors and developers are clear about the requirements being monitored and evaluated and their contractual obligations. Also ensuring that reporting of the impacts of commercial contractors is definitive and aligned with predictions, remains a challenge.

Local outcomes have improved over time with each contract. VicUrban is constantly learning and improving its procurement process, so that the community benefit requirements will have significant impacts for future communities.

The process VicUrban has undertaken has led to the acknowledgement that corporate suppliers and the construction industry as a whole require a degree of education about the increasing importance of demonstrating community responsibilities within public procurement processes.

A sample community benefit requirement clause from VicUrban is included on the following page.

*"Along with the weightings we created a framework that had the flexibility to respond to individual project situations during the assessment of the method statements. ...We need strict criteria about what that weighting represents so again, having the internal frameworks set so that it's not open to interpretation is a learning about what we need to do moving forward"*

## VicUrban's community benefit and economic vitality requirement:

### 1. Employment and Training

- 1.1 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.
- 1.2 Describe how you will achieve compliance from sub-contractors necessary to meet the employment requirements.
- 1.3 Describe your policy with regard to training and new apprenticeships and identify and describe opportunities for increasing skills of employees.

### 2 Targeted Recruitment

- 2.1 Describe the steps that will be taken to ensure that all vacancies, including those with subcontractors, are notified to local agencies.
- 2.2 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.
- 2.3 Describe the steps that will be taken to ensure that suitable apprentices / trainees are engaged.

### 3 Local Business

- 3.1 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.
- 3.2 Describe any actions you will undertake to support or assist local SMEs to obtain contracts in relation to the Revitalising Central Dandenong initiative.

### 4 Social Enterprise

- 4.1 Describe any experience or evidence from other areas that has influenced your thinking on support for social enterprises.
- 4.2 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.

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 spend	

#### **Things that have helped to develop social procurement:**

- Agreeing outcomes across the team and then including these in the contractual obligations;
- Ensuring that there is support in place for contractors in the delivery of social benefits, especially as many of the contractors are not familiar with concepts such as social impact or social enterprise.
- Ensuring that social benefits are part of the contractual obligations rather than voluntary or aspirational goals.

#### **Key lessons from the case study for suppliers**

- Suppliers should be able to outline their methodologies for delivering on social benefits;
- In delivering social benefits, partnerships can be important.

#### **Key lessons from the case study for other Procuring Organisations:**

- 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.

*“In order to include social procurement requirements in these projects we know that we need to offer solutions and not just create a requirement. We partnered with organizations that created an avenue for those tendering – an opportunity to respond to our request. We partnered with a group training organization...we directed them to an organization that enables the sourcing of local businesses and suppliers...we linked them to an independent social enterprise development company”*

*“Reporting and monitoring is an important component of assessing the outcomes. It's the only way we know if it's making a difference. If you put the right processes in place and right up front, developers and contractors are all aware of what they're required to do.”*



## CASE STUDY: Victorian Department of Human Services: Using a range of social procurement approaches for community benefit

The Victorian Department of Human Services (DHS) has undertaken extensive work in the area of social procurement over the past decade. Three examples will be examined in this case study, covering the following social procurement approaches:

- (1) A **joint venture model** using social procurement to create service delivery innovation;
- (2) The use of a **social clause** to generate training and employment opportunities for public housing tenants;
- (3) **Direct purchasing** from social enterprise and the application of an exemption from open competitive tendering in specific Neighbourhood Renewal areas.

The social procurement work that DHS has undertaken centres particularly on programs that have focused on housing estates, and on Neighbourhood Renewal (NR) work. The social procurement approaches that have been developed by DHS reflect the place-based nature of their work and seeks to address social issues affecting their client-base, who often live in the most disadvantaged localities in Victoria. The social procurement work in DHS has had some profound impacts in terms of jobs created for public housing tenants and NR area residents – with the Public Tenant Employment Program alone creating over 650 jobs and 1300 training opportunities over the past five years. Further, other social impacts have resulted from this, from reductions in crime and vandalism on a number of housing estates, to increased community pride and self-esteem. Not all the impacts can of course be directly attributed to social procurement, but this has certainly enabled the Department to develop some highly innovative programs, and maximize the use of its budget by aligning its purchasing and procurement with its key social objectives.

*“One of the profound things for us has been the realization that many of the current systems were failing these communities – and this is particularly in the context of very disadvantaged communities – like in some of the high rise estates there was almost 90% worklessness. In many ways there has been a complete disconnect and disengagement with the service system that is actually supposed to respond to the needs of these communities, especially around employment and training. So we’ve had to look at really local, placed-based ways that we can create those employment and training opportunities and look at how can we do that using levers in existing systems and also create new opportunities as well. That’s what’s led us to consider how we ourselves spend our money in these communities and we could do that differently”*

*“Our driver is that we know this works – we know that we can employ and train our tenants with the help of social procurement. And we know that it’s cheaper than other employment programs, and we know that our retention rates are twice as good as other employment programs. And there’s an added bonus for the government – because when people in public housing get employment their rent goes up and so the program is actually generating more income than its costing! That’s a good bonus for the government, but that’s not our driver. Our driver is employment for public housing tenants – it’s has a long-term impact for our tenants”.*

# A joint venture model using social procurement to create service delivery innovation

## Background

The High-rise housing estates in Fitzroy and Collingwood have been linked to many complex social problems – long-term unemployment, high rates of violence, drug use and crime to name just a few. Security and concierge services that were contracted out by DHS for the estates increasingly were not able to effectively address neither the rising rates of crime and violence nor the key concerns of residents. There was a profound realisation amongst some workers on the estate that the service system was just not effectively engaging with residents. Though a great deal of resources, energy and effort had been put into addressing these issues, the situation was getting worse.

The three key issues identified by residents as top priorities were:

- (1) The physical environment;
- (2) Safety and security on the estate;
- (3) Employment for estate tenants

Though it was possible to put further resources into the first two areas, and this had been happening, this was not going to fundamentally alter the situation on the estates. The real challenge lay in creating jobs and opening employment pathways with and for estate residents. Adopting a place-based approach to supporting social enterprise development and enacting social procurement was seen as an important part of addressing the key issues identified by residents.

The opportunities lay in linking the issues, and finding ways to integrate the resourcing with potential solutions. What was required was innovative thinking, looking at the interconnections between all the issues and the available resources, and working in partnership with the communities, with community organisations, service providers and with other government departments. What the situation required was service delivery innovation – not *more security* or more of the same sorts of services, but fundamentally different approaches that realised the connections between tenant employment, community development and increasing levels of resident safety. What was needed was a **joint venture approach** – an approach that could test out new models, that drew on the strengths of different stakeholders around the estates, and that could make a real difference in these estates and others.

## The approach

Neighbourhood Renewal worked in partnership with the Brotherhood of St Laurence in a joint venture to develop the Community Contact Service, a community enterprise that provides concierge services at the base of seven high rise housing estates in Collingwood and Fitzroy. The Community Contact Service provides information and support services for tenants, in addition to controlling building access and providing a liaison service with the Department and other service providers to ensure that the estates are safe, clean and functional. The enterprise was developed as a transitional labour market program, providing public housing tenants with 12 months supported employment and training, and then supporting them to find further employment. The program provides around 20 jobs per annum to public housing tenants with 80% of these employees transitioning to other employment after 12 months.

Although it was developed through a partnership or joint venture model, after an initial period of developing and refining the model it was taken to market in the form of a competitive tender for the services, which was open to any private sector, enterprise or non-government providers. The key specifications and deliverables for this tender are outlined on the following page. The program has since expanded to other areas within the City of Yarra. The Brotherhood of St Laurence successfully tendered for this service which is now delivering Community Contact Services in estates in Fitzroy, Collingwood and Richmond. The cost of this service from 2009-2012 will be \$2.69million.

## The outcomes and benefits:

- Increases in employment and training opportunities for tenants.
- Improvements in physical environment and sense of safety in the highrise estates – with additional benefits of decreases in turnover of residents, and greater levels of social capital and pride in the community.
- Economic benefits for residents (increased income), local communities (greater spending power of residents) and DHS Housing Services (increased rent, decreased turnover).

## Community contact service key contract features

The contract was designed around the activities that had been developed through the joint venture pilot program. The contract clearly specified that the Contact Service was not an addition or replacement for security services on the estates:

“Importantly the Community Contact Service (CCS) is supported by a security service that provides mobile security guards who patrol the premises and respond to security issues that arise. NOTE: This security service is provided through a separate contract, and it is not expected that bidders for this work will include the provision of security services”

The specifications for the Community Contact Service contract did not place any limitations on the type of service provider who could tender for the contract. However, it was made very clear in the specifications that the service provider would need to have relevant experience in relation both to building management and employment of disadvantaged people:

### “Specification 1 The Service Provider

The successful service provider must have a background relevant to the service and be able to demonstrate a capacity to deliver the service to the required standards described in this brief.

All service providers must address the following points in their submissions:

- Understanding of requirements  
The service provider must be able to demonstrate an understanding of service requirements.
- Relevant experience  
The submission must describe the service provider’s experience in the provision of similar services. Where appropriate, suitable references may be provided. At a minimum it is expected that providers will provide detail about their experience in:
  - (1) Working with groups of disadvantaged workers such as tenants of public housing;
  - (2) Managing supported employment and training programs that result in successful transitions for participants into mainstream employment;
  - (3) Managing community or social enterprises that use an Intermediate Labour Market (ILM) approach
  - (4) Providing similar building management services
  - (5) Managing programs to achieve community development outcomes...”

...

### “Specification 2: Service Deliverables

Key deliverables for the Community Contact Service (CCS) are listed below.

Submissions should propose a methodology supported by a detailed and considered discussion showing how the methodology addresses the key needs of the service as described in this brief.

The following minimum deliverables are required:

- Concierge Service  
A concierge service delivered at each of the 12 high rise towers between the hours of 8am and 4pm, Monday to Friday, excluding public holidays;
- Employment of public tenants  
All Community Contact Officers (CCOs) trainees will be public tenants at the time of their employment, with preference given to residents of the City of Yarra;
- Training  
All CCOs will be provided with the opportunity to participate in accredited training that will provide them with a qualification
- Employment and Training Outcomes  
80% of CCOs will make a successful transition from their employment with the CCS into other employment or further education
- Community activities  
CCOs will provide support to ensure the effective implementation of community activities that have been developed in collaboration with the Housing and Community Building Division of DHS. ....”

## Using a social clause to generate training and employment opportunities for public housing tenants

The Victorian Department of Human Services Housing Services includes social clauses in all their contracts, which mandate that contractors must employ a certain number of public housing tenants (with numbers of tenant employees varying according to the size of the contract). This is a mandatory clause, covering contracts that include basic services such as cleaning, landscaping, security and more complex services such as construction.

The social clauses have been developed and are supported by the Public Tenant Employment Program (PTEP), which also supports contractors through the provision of free recruitment services (which sources tenant recruits, engages them in pre-apprenticeship courses, and ensures that all the necessary checks and qualifying certifications are undertaken).

A cost-benefit analysis of the program demonstrated that it is actually cheaper and retention rates are double those of other job service initiatives. It is not mandatory for public housing tenants to participate in the program – tenants apply for positions with the program voluntarily. Additional benefits of the PTEP and the inclusion of the social clause for the Government include:

- Public housing tenants who are employed pay higher rents and are more stable in terms of their residency;
- Tenants who are employed have a pathway out of poverty;
- Employment in housing estates leads to lower turnover of tenancies, and less social issues generally.

Overall this is a very 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.

Incorporating the social clauses in Housing contracts was not a simple task – with a number of barriers having to be overcome, including:

- **Cultural barriers:** addressing the many assumptions underlying opposition to the clauses, including perceptions about public housing tenants and perceptions of negative reactions from potential contractors;
- **Perceived legal and structural barriers:** addressing any potential legal challenges before they could be 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).

An example of the social clause that is included in DHS contracts is included on the next page.

*“Our suppliers are generally just regular companies – regular builders, cleaning companies, security companies – and they’re all employing tenants through this mandatory requirement. So if you’re a cleaning company, the contract stipulates that you employ one tenant for every 200 thousand dollars of contract in a year. It depends on the type of work, but they’re all regular companies and they’ve been employing tenants for years now through this (clause). Initially there’s always a sensitivity and negativity – when you add this to a contract. But down the track now a lot of our contractors are really happy to be involved and even proud of the work they are doing with us to employ our tenants”*

## Sample social clause from a DHS housing contract

### The Requirement

The employer is required to employ public tenants effective full time (EFT) for a period totalling the original contract period at the following rates:

- One effective full time employee where the contract exceeds \$300,000 including GST;
- One additional effective full time employee for each further \$300,000 including GST, increase thereafter.

### Effective Full Time Employment

Tenants employed must have same conditions and contracts that the contractor usually uses on the site.

- Tenants may be employed on this site for a period shorter than the original contract period provided enough tenants are employed on this site or elsewhere in order to achieve the total number of effective full time hours required.
- Tenants may be employed to work in any type of role.
- Tenants working for the contractor or via a related subcontractor on this site or sites other than Office of Housing may be counted towards meeting requirements.

### Public Tenant Employment

PTEP was established to address the high level of unemployment of people living in public housing in Victoria through the inclusion of employment criteria in Office of Housing contracts.

### Recruiting

The contractor may recruit from any source, but PTEP provides a free recruitment service. PTEP will advertise your PTEP vacancies and provide you with resumes of suitable applicants to select from.

### 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 attract subsidies and PTEP can assist you with this.

### Monitoring and Reporting

At the commencement for each tenant employee complete the provided form **Public Tenant Employee Registration Form** and return it to PTEP.

Provide quarterly reports and a report at the contract completion using the provided form **Public Tenant Employee Reporting Form**

Provide a verbal report at each site meeting

On commencement of the project the following forms will be provided to builder

**Declaration:** The Employer in making this tender submission:-

- Agrees to take all reasonable steps to comply with the Public Tenant Employment Program (PTEP) principles, and agrees to make every endeavour to employ persons who qualify for that program;
- Agrees that compliance with PTEP commitments will be monitored as part of overall performance management; and
- Acknowledges that failure to comply with a PTEP Statement will be centrally recorded by the Victorian Government and may be taken into account when considering subsequent tenders for VIPP (Victorian Industry Participation Policy) purposes.



## Direct purchasing from social enterprise in specific Neighbourhood Renewal areas

In order to ensure that they were employing people from the communities in which they were working, Neighbourhood Renewal (NR) sought an exemption within Victorian Departmental Tendering Provisions so that they could obtain single tenders from established and approved community enterprises for particular works in Neighbourhood Renewal areas over a certain period of time.

The exemption was sought for what are known as 'immediate improvements', which relate mostly to activities such as landscaping and fencing. The exemption applies only to the provision of these services in the 19 Neighbourhood Renewal sites across Victoria, and allows NR to obtain a quote from approved community enterprises for these 'immediate improvement' works.

The single quote arrangement must still meet probity requirements, and must provide value for money, with the expectation that they will deliver a commercial quality of works (which is monitored) and within an acceptable price range.

**This has resulted in the purchase of \$3million worth of works per annum, and over 50 new jobs per annum.**

Further, as the works are undertaken in NR areas, they have a direct influence on improving the visual and physical amenity of the neighbourhood. As the works are often carried out by residents in NR communities there are also deeper impacts – increased self-esteem of residents, increased community pride, the creation of community role models and enhanced community participation.

An example of a community enterprise that has delivered these works is Mission Australia's Urban Renewal Enterprise Employment Program (UREEP), a transitional labour market program providing training for disadvantaged people in Bendigo, Shepparton, Hastings, Dandenong, Preston and Heidelberg. UREEP has not only delivered commercial quality works in NR areas, they have provided employment and training for around 40 people a year, with employees gaining industry-recognised qualifications in landscaping, construction, building, energy retrofits and fencing.

The application for Secretarial Exemption that allows DHS to purchase directly from social enterprises in the NR areas included the following information:

- The reasons for seeking the exemption – in order to achieve the NR objective for 'lifting employment, training, education and enterprise outcomes';
- The social impacts that would result from engaging directly with community enterprises – particularly how many jobs and training opportunities would be created for residents in the NR communities;
- The track record that community enterprises had for delivering quality works and social impacts;
- How issues of probity and value for money would be addressed in the arrangements; and
- How the quality of service and the impacts generated would be monitored over time.

*"Part of Neighbourhood Renewal is to create a visual difference in disadvantaged communities – but from the outset we've said, that's not enough in itself. So we make sure there's a multiplier effect – that local people are involvement and employed in the landscaping and fencing work, so that residents get paid work and accredited training. They also build self-esteem and pride in their communities. We might be just purchasing landscaping and fencing, but when we purchase this from social enterprise, we are able to get a whole lot more social benefit – it really is a multiplier effect"*

**Things that have helped to develop social procurement:**

- Intrapreneurs and champions who have a degree of “dogged determination” to develop and test social procurement options; link the challenges and create pathways for engaging innovative solutions, with supportive leadership;
- Strong partnerships with community organizations and local service providers, through joint venture approaches to addressing long standing housing issues;
- Integrative and systems approaches used to seek solutions;
- Industry and job opportunities that are well suited to the skills and experiences of the participants;
- Social clauses that are mandatory in all DHS Housing Services contracts;
- Benchmarking and data collection to track the difference that is being made.

**Key Opportunities and Challenges into the future:**

- Developing a social procurement policy at Departmental level;
- Developing pathways for social enterprises to become suppliers of mainstream contracts;
- Developing further pathways for social enterprises being linked with mainstream suppliers as subcontractors;
- Engaging the social procurement process around other social inclusion issues beyond social enterprise – particularly Indigenous business;
- Sharing and learning from other housing focused government departments across Australia.

**Key lessons from the case study for suppliers**

- Intermediate Labour Market (ILM) focussed social enterprises who can demonstrate their capacities for place-based responses may be able to become suppliers to procuring organisations seeking social inclusion impacts that focus on employment and training opportunities.
- Non-profit and third sector organizations working in communities could consider the potentials of engaging in joint venture initiatives with funding bodies to develop enterprising approaches to addressing complex issues. Social procurement approaches can support the development and growth of such ventures.

**Key lessons from the case study for other Procuring Organisations:**

- Need to link engagement in social procurement to the core business of the organisation – in this case it was social inclusion for public housing tenants and residents in Neighbourhood Renewal areas.
- Place-based use of social procurement processes can be both important in terms of maximising impact, and in terms of justifying changes in procurement policies.
- The social procurement process has to be both supply and demand focused – there’s no point in creating opportunities within organisations for social procurement if there are no social enterprises or social benefit suppliers to deliver.
- The success of the social procurement process in DHS has been as a result of both leadership in the organisation and top level support and focusing on practical, on-the-ground realities at community level.

## CASE STUDY: National Australia Bank Social Procurement in the Corporate Supply Chain

There are three themes in The National Australia Bank's (NAB) procurement policy and practice that have links to social procurement:

### Responsibility

Examining the impact of procurement and purchasing decisions on communities – both in terms of negative screens and in generating positive impacts.

### Sustainability

Examining opportunities within purchasing categories for using environmentally and socially sustainable products.

### Diversity

Exploring opportunities for including diverse suppliers, including social benefit suppliers in the supply chain.

NAB has become Australia's largest fair trade workplace, purchasing fair trade tea, coffee, hot chocolate and sugar for their 8000 tea rooms and 25,000 staff across Australia. They have also supported their counterpart, the Bank of New Zealand, to become the largest fair trade workplace in New Zealand.

This initiative is part of a broader process at NAB that is looking at how corporate responsibility and sustainability can be enacted not just throughout the business itself, but throughout its whole supply chain.

*"We have a set of beliefs and behaviours that we've committed to as a business – and corporate responsibility is about enacting those beliefs and behaviours right through our business, but also more broadly, in our supply chains, with our staff, our customers and other key stakeholders".*

This reflects a growing trend in corporations to ensure that corporate responsibility extends out into the supply chain.

*"How do we address our responsibility to society (and) our impact on society? How do we ensure our sustainability agenda and responsibilities extend to our supply chain? How are we being fair and transparent with our suppliers? How are we building long term relationships with suppliers that have a particular focus on social or environmental outcomes? And all of this (will become) part of the DNA of the business as we are aligning ourselves with like-minded organisations."*

The extension of corporate responsibility and sustainability into the supply chain is both a risk management strategy (ie. ensuring that suppliers are not going to damage the brand or business) and a strategic initiative to ensure that the organisation's objectives are reflected in their supply chain. Suppliers have to comply with NAB's Corporate Responsibility Procurement Policy in addition to complying with NAB's Supply Sustainability Principles, which are outlined in both the tender phase and in the contract phase of the procurement process. If suppliers are not compliant with the principles at the time the contract begins, they are given 12 months to comply to the principles, after which time their compliance is monitored and they could be audited to check compliance.

## **NAB**

### **Corporate Responsibility Procurement Policy**

National Australia Bank Limited is committed to being socially responsible and minimizing our impact on the environment in all aspects of our global operations, including our supply chain.

As a large organisation with significant purchasing power, we recognise that our supply chain can make an important contribution to our performance, and that our supply relationships can add to or detract from our reputation.

We believe that by working with our suppliers to manage, both our direct and indirect social and environmental impacts, we can make a positive difference to the communities in which we operate.

As a minimum, we require our suppliers to meet local legal requirements relating to environmental and human rights and work practices and to behave in such a way that we can meet our commitments to the:

- OECD Guidelines for Multi National Enterprises; and
- UN Declaration of Human Rights.

To deliver on our commitment to corporate responsibility in the supply chain we will endeavour to:

- Promote our corporate principles and values within our supply chain and build long-term productive relationships;
- Ensure we conduct our procurement processes in a manner that is ethical, fair and transparent, whilst respecting the confidential information of suppliers;
- Screen our suppliers in relation to, and help them to improve, their environmental, social and ethical performance;
- Consult with our supply chain and other stakeholders and raise their awareness and understanding of social responsibility issues;
- Seek our suppliers views on our own performance and supply chain management;
- Develop and use guidelines for socially and environmentally responsible procurement;
- Evaluate purchases with consideration for the full cost over their lifecycle;
- Seek to purchase goods and services that reduce our impact on the environment and that are made in such a way that respects human rights;
- Deliver appropriate training to our staff and supply chain partners to enable effective policy implementation; and
- Establish a system to monitor and report on our supply chain performance.

We believe that implementing this policy will help us to reduce our environmental impacts, improve the efficiency of our business, reduce costs, assist the development of new products and markets, and provide leadership in the community by encouraging fair and equitable employment standards.

NAB has also initiated specific sustainability and responsibility initiatives with what they term 'high impact' suppliers – those that present either a “high risk or strong opportunity with regards to sustainability performance”. This involves working in partnership with suppliers to develop particular initiatives that support sustainability and responsibility – which has been focused to date on Carbon Neutral and Fair Trade programs.

As part of its commitment to the United Nations Environment Program for Financial Institutions (UNEP FI) NAB is also currently involved with a number of government, non-government and corporate bodies to establish a consistent approach to the definition and application of Sustainable Supply Chain Principles and an accreditation system that is universally accepted.

Through its policies on responsible and sustainable supply NAB has also undertaken spend and category reviews to look for category opportunities for generating better social and environmental outcomes.

While this is all very positive in relation to sustainable procurement, from the perspective of 'social procurement', two of NAB's initiatives in particular warrant some further consideration in relation to how they can illustrate particular connections that can be made to social procurement from the corporate sector.

### From 'partners' to 'suppliers'

From the perspective of 'social procurement', one of the most interesting parts of NAB's sustainable procurement practices is the connections they have been able to make between their community partners and their supply chain. NAB has a number of community partners from their work in the microfinance area and through their corporate responsibility programs. A number of these community partners are or have social enterprises. NAB has begun to find ways not just to support their community partners from a philanthropic or charitable perspective, but to open opportunities for direct 'business to business' connections and inclusion of the enterprises in their supply chain. This is currently focused only on 'one-off purchasing', but there are possibilities that it may grow, as well as indications that NAB could connect its community partners in to its larger suppliers to create more opportunities for these enterprises. Despite the fact that it is in a very early stage of development, this presents a good example of the shifts that corporations are beginning to make from purely charitable engagements with social sector organisations, to partnerships and then to linking them into their supply chains.

*"Where our community partners have social enterprises, we try and find avenues to support those enterprises, As an example, one of our community partners is Jesuit Services who have a social enterprise called Abbotsford Biscuits. We provide them opportunities to sell their goods direct to our staff during the Easter and Christmas periods.. We also recently invited a small local community catering company that brings Turkish and Kurdish women together, to provide catering for our International Women's Day event. So we're always looking at how to support our community partners through supply chain decisions."*

### Supplier diversity

NAB has begun to explore how their supply chain could include diverse suppliers, particularly Indigenous businesses.

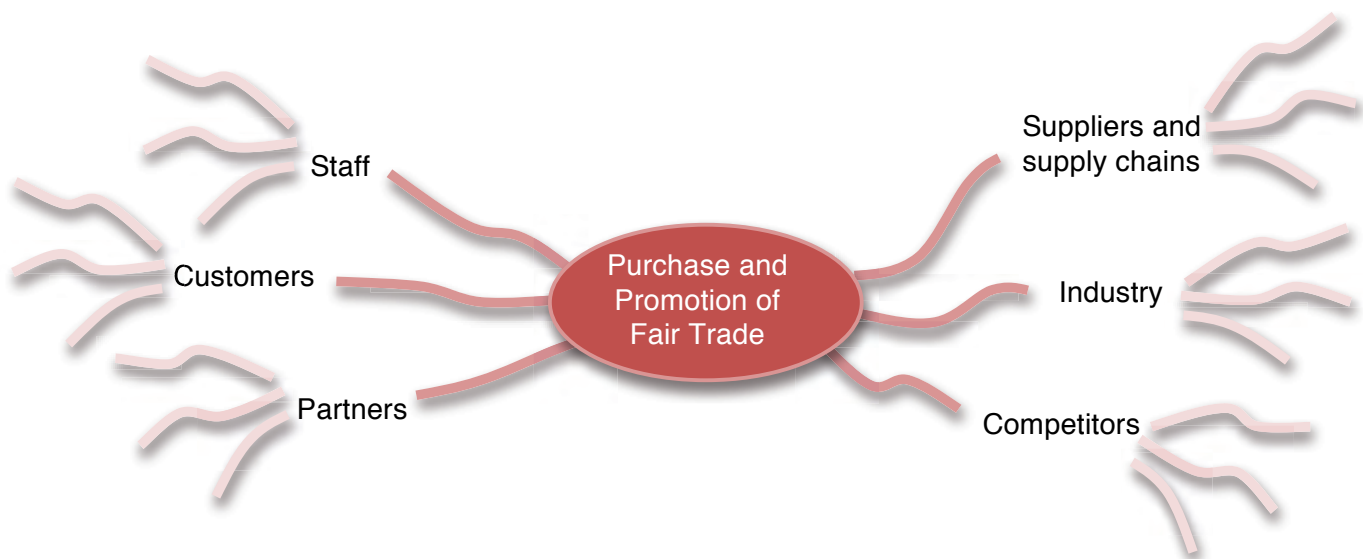
*"Through our Reconciliation Action Plan (RAP) we have begun to look at indigenous suppliers - so we (support indigenous) employment, (we have) community support but we also (have our) supply chain on our radar in this regard. NAB is a member of AIMSC and they have given us a list of their accredited indigenous suppliers. Unfortunately these businesses are not directly related to our core purchasing requirements, however we sent the list to some of our key suppliers in the building industry to assess whether they could utilise their services. It would be good to have directories or registries to find other social and community suppliers who are accredited. That would help us with the question of where can you go to find accredited social benefit suppliers? We find it hard to find them and know that they really are community benefit suppliers. We can build our own register, but it would be good to have a common one that everyone could access".*

Despite the fact that the actual dollar amounts involved in social procurement relative to NAB's overall procurement spend are still very small, it is in the supply chain analysis of the spend that the extraordinary potential power of social procurement can be seen.

Having an organisation the size of NAB promoting and purchasing fair trade creates a ripple effect through staff, customers, suppliers and also competitors – so that over time this could catalyse a very broad shift to fair trade options. This raises awareness of the issues (for instance NAB has made stickers and posters for its fair trade products that highlight the reasons for changing to fair trade and these are displayed in all tea rooms) but also changes behaviour over time, so that the purchasing power of a broad range of people and organisations connected to NAB is also harnessed.



The power of this to generate critical mass shifts in spending behaviours should not be underestimated, particularly if the awareness and behaviour change ripples on beyond the immediate stakeholders in the organisation.



#### Things that have helped to develop social procurement:

- Champions, leadership and people who are passionate about sustainability and can also clearly articulate the business value of engaging actively in triple-bottom line sustainability;
- Existing community partnerships and the motivation to continue to build on these not just in partnership terms but also linking over into supplier relationships;
- Skilled team members with various expert contributions – risk management, supply and procurement, environment, community engagement – who work in their areas but also across teams to develop the procurement strategies;
- Embedding the initiatives into procurement process so that it becomes ‘the way of doing things’ rather than an individual’s initiative or one-off project.

#### Key Challenges into the future:

- Building continuity into initiatives where community partners become suppliers, and building scale and capacity into these purchasing arrangements, so they are not one-off initiatives;
- Engaging further in supply diversity initiatives – particularly with Indigenous suppliers, but also exploring this further to include minority suppliers and women’s businesses in the supply chain;
- Continuing to embed sustainability into the procurement process – and ensuring that it is triple-bottom line sustainability;
- Continuing to analyse categories and open opportunities for sustainable procurement particularly in high-impact areas;
- Continuing to demonstrate industry leadership in sustainable procurement and encouraging industry wide change.

*“From a sustainability point of view we analysed all the procurement categories and identified opportunities. We particularly looked for categories that have high environmental or social impact – (and we asked ourselves) what opportunities are there to undertake sustainability initiatives? Our procurement categories are separated into a whole range of different suppliers – catering, buildings, facilities and so on. So we looked at each of these categories. For example, we use a huge amount of stationary so we investigated a number of environmentally sustainable stationary options”.*

### Key lessons from the case study for suppliers

- Developing directories of suppliers – and accrediting suppliers as social benefit suppliers will be important for growing corporate social procurement.
- Seeking opportunities for business-to-business connections and supply opportunities so that social enterprise partners do not remain just in 'CSR' relationships with corporations will be important if social benefit suppliers are to harness any of the economic power that lies in larger corporations. In order to do this such suppliers will have to demonstrate both their social impact and their capacity to deliver high quality goods and services.

### Key lessons from the case study for other Procuring Organisations:

- Having teams that have both centralised and decentralised roles in relation to furthering social procurement in large organisations can help to embed the process into purchasing functions in addition to stimulating strategic and innovative initiatives across the organisation.
- High impact and public social procurement initiatives (such as NAB's fair trade program) can have a major impact – both for the corporation itself but also for the wider social impact it can generate.
- Supply chain wide initiatives – where suppliers both comply to particular codes of conduct and also become partners in joint sustainability initiatives can have major impacts on social issues.
- It is critically important that social procurement initiatives be articulated and presented in ways that link directly with a corporate entities' business objectives and its sustainability objectives – as is reflected in the two quotes below.

*"It is critical that sustainable procurement initiatives are linked to the organisation's broader objectives and operational priorities. We had a business objective to be carbon neutral by 2010. Therefore a lot of our sustainable procurement activities were linked to this objective thereby securing senior management support and funding. Once the procurement initiatives are implemented it is vital that the results are effectively communicated to key stakeholders. These results could include employee satisfaction or comments, environmental/social impacts or consequent cost savings. In an organisation of NAB's size you have to cut through all the other noise to articulate why sustainable procurement adds value to the organisation."*

*"The difficulty with sustainability is that it covers so many areas. If you try and cover everything you end up not doing much. So what we tried to do was work out ... what are the key organisational objectives from a sustainability point of view and how can we manage our supply chain to achieve those objectives? (We have to build those arguments so that) we'll be able to get approval from senior management and we'll be able to get the funding available because at the end of the day it does cost more to take up sustainable and responsible options like Fair Trade"*

