

Six recommendations to the Productivity Commission's Procurement Inquiry
Social Change Headquarters
Presented by CEO Sarah Gun



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Social Change Headquarters has consulted widely and presents these six recommendations with confidence. They are inclusive and accurately represent consensus positions of the emerging social enterprise industry, purpose for profit businesses and associated supporting infrastructure such as philanthropy and academia.

This paper identifies key challenges and makes recommendations to be factored into the development of advice from the Productivity Commission to SA.

The recommendations are framed around the following assumptions:

- Government has capacity to drive, shape and foster the conditions to deliver social value through public procurement policy and practice
- SA has an emerging profit for purpose industry
- Procurement is a powerful lever to set conditions and culture to drive equity and participation in the economy by setting metrics and targets for quality over price
- Successful policies are embedded into existing mechanisms and systems and are tied to legislation, regulatory and performance measures
- Experience in corporate sector (e.g Westpac) and other public policy areas (e.g Commonwealth government's Supply Nation, UK Social Value Act) has lessons that can be adapted and applied to the development of State public policy
- Competing departmental time lines and agenda have the propensity to be misaligned and not in sync around timing for business to capitalise on opportunities and manage cash flow and payroll obligations

“Social Procurement is the vehicle for government to connect directly with the most disadvantaged and to creating meaningful employment and wellbeing. There is evidence to support this.” Freya Higgins- Desboilles, School of Management, University of South Australia

Challenges

1. Defining and ensuring quality and standards of social procurement are met

Recommendation: Establish with the industry, a clear definition (eg FASES definition), clear benchmarks linked to economic goals (eg employment rates, participation rates of identified groups), be specific with the remit, use targets, apply existing quality controls and standards (e.g. Social Traders, BCorp).

'Social procurement is a fair way of buying things that makes the market work more fairly in a particular sector or location.'

"Social impact improves the social procurement processes for government - it is not an add on"

2 Social problems are complex and expensive. Social procurement is one lever that can be used to counter these problems.

Recommendation: Social procurement policy allow for commissioning, co-designing and co-producing with the community to help solve problems in a local or sector community and the best to use of the public spend- social impact. This can also be linked to Commonwealth policy (e.g DSS place based collective impact).

"We have a problem in our community and a new approach is how can we use this public money to make things change in this place" Guy Turnbull

And ask the contractor "What are you going to do to solve the employment in town x" (Social businesses impact further with their discretionary spending)

Recommendation: Reframe procurement as one of the suite of government expenditure mechanisms to deliver economic and social outcomes for the State. Other mechanisms for example are grants, subsidies, industry development funds.

3. Procurement driven by price

Recommendation: Weighting the outcomes on quality and impact metrics eg number of jobs created, alignment with State economic and social goals or other internationally agreed measures such as Sustainable development goals; capability of provider meeting external standard (e.g Social Traders, bCorp, Supply Nation) will enable newer players to tender for contracts. Setting a floor price is another tool to address this challenge. There is a higher cost to engage those most disadvantaged and this needs to be reflected in contracts, equally the multiplier effect is significant and so the social and economic return is beyond the procurement process and needs to be valued as such.

4. Internal capacity and capability of public sector procurement officers and alignment with contract management.

Recommendation: Clear policy about the purpose of procurement, processes and practices required to support the expected outcome. This is likely to need training for public servants to enable higher service and support levels throughout the procurement process, contract management and payment schedules to support deliverables.

Educating public sector staff and the industry about existing tools eg Departments can go direct to one company under the Indigenous participation policy for contracts under \$200K; and tender requirements for contracts and commissions under \$0.5M.

5 Timing to maximise impact

Recommendation: Procurement opportunities often provide a platform to align with employment policy objectives eg tapping into subsidies and schemes to hire if winning a successful procurement bid; however lengthy and unreasonable delays in one part of government processes often is so mis-aligned or unable to be synced, causes significant missed opportunities for both public policy goals, intended contractor and beneficiary. Inter-departmental communication and inter-ministerial decisions would address this challenge.

6 Accountability and multiplier effect

Recommendation: Set metrics, choose indicators, and apply standards to create transparency and to make progress against these metrics visible (e.g number of jobs created, value of investment, social value).

Commissioning independent research eg university or consultancy to establish baselines for multipliers, work with industry and government to establish indicators, measure and report on a regular basis eg every three years.

A 2018 report by the South Australian Centre for Economic Studies into the social value of social enterprise used two South Australian social enterprises which helped young people and people with disability to gain employment and workplace training as case studies. The study found that every \$1 invested by these social enterprises in programs that helped young people and people with disability to gain employment and workplace experience generated up to \$5 in social value through improved wellbeing, social integration, and future employment - a 500% return on investment.

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Those consulted for this paper and original submission

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