



HUMANISING INFRASTRUCTURE

Securing a bigger social legacy for Greater Western Sydney

A discussion paper written in partnership by the
Western Sydney Leadership Dialogue and RPS

9 December 2021

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DEFINITIONS



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DEFINITIONS

Social Value	Social value is the total impact of a project or investment on an individual's wellbeing that includes social, environmental, and economic outcomes.
Social Procurement	The Victorian Social Procurement Framework defines social procurement as the use of an organisation's buying power to generate social value above and beyond the value of the goods, services or construction being procured.
Social Enterprise	A social enterprise is a business that trades to intentionally tackle social problems, improve communities, provide people access to employment and training, or help the environment.
Aboriginal Business	An Aboriginal business is one that has at least 50% Aboriginal ownership and that is recognised through Supply Nation or the NSW Indigenous Chamber of Commerce (NSWICC).
Australian Disability Enterprise	An Australian Disability Enterprise (ADE) is a not-for-profit organisation that employs people with disabilities. ADEs have the same working conditions as other employers, and they empower disabled people to contribute to their communities.
SME	An SME is an Australian or New Zealand based Small to Medium sized enterprise with fewer than 200 full-time equivalents (FTE).
Regional NSW	Regional NSW includes all areas within NSW outside the Newcastle, Sydney, and Wollongong metropolitan areas.



The Greater Western Sydney region (GWS) includes the area from Windsor to Wilton and from Olympic Park to the Blue Mountains, including 14 local government areas (LGAs).



EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

The inextricable link between the Australian economy and our society was put under the microscope during the COVID-19 pandemic on a scale not seen for at least a generation. Similarly, suffering Australians looked to the government to manage and respond to the impacts and economic recovery on a scale akin to post World War II Australia.

Before the COVID crisis hit our shores in early 2020, New South Wales – and in particular Western Sydney – was in the midst of a boom in investment in job-generating infrastructure. Fast-forward to 2021, the NSW Government is not shying away from spending its way towards economic recovery. However, the rediscovered symbiosis between society and economy, in the minds of taxpayers and voters, makes room for a substantial social dividend from this new government spending.

To secure greater social legacies from government procurement – including but not limited to major and mega-projects – a coordinated whole-of-government approach to social procurement is needed in NSW. This pipeline of job-generating projects offers the perfect opportunity to build positive economic and social outcomes.

Rarely are infrastructure-intensive, city-shaping opportunities of this scale presented to communities and governments to secure a significant legacy and drive social transformation. In Australian terms, perhaps only the development of Canberra during the early-mid 20th century has matched the ambition of the rebuild of Western Sydney's Central River City and especially the development of Sydney's Western Parkland City.

With demographic and economic similarities to Western Sydney, The United Kingdom's East London region provides a useful comparative example of a large-scale infrastructural development that has succeeded in capturing social legacy. The following paper sets out the case for a policy framework to achieve similar success and shows that – with a high degree of industry and community support – it can be done in a cost-effective and impactful way. The paper focuses on the creation of social outcomes and social value through government procurement. It looks at various definitions of social value and social value policies internationally, and at the policy environment in NSW compared to the Victorian and Queensland policy settings.

It considers the current state of the social enterprise ecosystem in Australia and identifies gaps and opportunities for the creation of positive social outcomes – specifically through the procurement, delivery, and operations phases of infrastructure projects.

It suggests that the unprecedented infrastructure spend and commitments – predominantly by the NSW Government but also by the Commonwealth – is a once in a lifetime opportunity to embed social procurement in government policies.

It audits the views and perceptions among key executive stakeholders on the above points and the opportunity to optimise the capture of social value in Greater Western Sydney.

Finally, it makes three major recommendations to the NSW government to ensure that fast and decisive action is taken. Using Greater Western Sydney as the catalyst, we recommend the development of a NSW Social Procurement Framework, the development of a NSW Social Enterprise Strategy, and the establishment of a Western Sydney Infrastructure Pathways Program.

The current state of play

It is important to point out that we are not approaching these issues from a standing start in NSW. The state has seen several very successful initiatives delivered as a component of major projects, including the Barangaroo and ICC Skills Exchange, the Westmead Hub and many more, which have led to comparable targets around skills and pre-employment schemes becoming a default and often mandatory deliverable in a request for tenders.

In January 2021, the introduction of a more ambitious whole-of-government Indigenous procurement policy for NSW was a welcome development in this space, and a clear sign of growing acceptance and community expectations when it comes to delivering social value through the buying power of government. The Victorian and Queensland Governments have moved one step further in implementing social procurement frameworks to cover all public procurement decisions.

There is also a growing global movement to re-calibrate how public investment decisions are assessed to further incorporate social value into traditional benefit-cost analyses. In parallel, the private sector is increasingly motivated and guided by environmental, sustainability and governance (ESG) reporting obligations and is looking for new and innovative ways to meet these. Beyond satisfying activist boards and investors, there are huge material benefits to be realised for companies in terms of brand and reputation, and the ability to attract and retain the best talent.

While this shift is not uniform across the private sector, it reflects the prevailing attitude of the communities in which they operate, which is placing a higher priority on the creation of social value through public and private spending.

Let's start in Greater Western Sydney

The people of Greater Western Sydney bore the brunt of the health and economic impact of the winter-spring 2021 COVID-19 outbreak and economic shutdown. Appropriately, the region is now central to the current recovery effort, with a range of regionally targeted spending, headlined by the new \$5 billion WestInvest Fund.

The Greater Western Sydney region (GWS) includes the area from Windsor to Wilton and from Olympic Park to the Blue Mountains, including 14 local government areas (LGAs).

GWS is an area of growing national importance. It is the third largest economy in Australia with one of the fastest growing populations with approx. 2.5 million people (of whom 25% born overseas) projected to grow to 3 million by 2036 and four million by 2050.

60% of Australia's migrant population live in the region, making it one of the most diverse regions in the country, with over 100 languages spoken. GWS also has the single largest urban Indigenous community in the nation.

Even with the COVID-induced immigration pause, the regional economy is expected to grow significantly on the back of projected population growth and several significant infrastructure projects, including the Western Sydney Airport, and the expanded Sydney Metro network.



60% of Australia's migrant population live in the region, making it one of the most diverse regions in the country...



Yet, despite this projected growth, GWS has higher-than-average unemployment rates, lower than average salaries, and high levels of mortgage and rental stress. Approximately 12% of residents don't speak English fluently and 9.9% of 15- to 24-year-olds are unemployed and/or not studying – compared to 7.6% in Greater Sydney.

Just like its counterpart region of East London, this combination of factors makes GWS the perfect setting for this conversation. Large government investments can generate significant and lasting benefits through policies that promote the creation of social value – especially through social procurement. They can generate local skills and employment, support the most disadvantaged, and create a cohesive, inclusive, and diverse community.

Key findings and recommendations

Australia is experiencing record levels of investment in infrastructure involving all three government tiers. The NSW Government alone has committed a \$100b+ infrastructure pipeline over the next four years, with other tiers of government expected to roll out additional investments- especially on the back of stimulus policies to address the economic effects of the ongoing pandemic.

To capitalise on this momentum, this paper recommends the NSW Government move away from a piecemeal approach and toward a whole-of-government framework to ensure consistency and provide mechanisms to enforce delivery and measure effectiveness in the various facets of social procurement.

There is a need to address duplication and inefficiency in this space and an opportunity to maximise social value outputs through economies of scale.

The NSW Government has a leadership role to play in defining and communicating the socioeconomic priorities of the state. By setting a clear framework and targets, the government can provide the market with certainty, enabling the private sector to respond. The key is to ensure the targets are broad enough to provide flexibility in how they are applied and how the market responds through innovation.

The GWS community is diverse, with pockets of disadvantage being experienced by migrants, youth, and indigenous communities. Social enterprises provide a pathway to employment for those experiencing disadvantage because of the nature of their business model, making decisions that have a social benefit as well as commercial gain. Social enterprise procurement can elevate and deepen the benefits generated by public spending and is a key element to transforming the social procurement agenda.

Regional leadership and partnerships can deliver a more coordinated approach to support careers in the region by investing in lifelong learning and connecting individuals with opportunities across the region. There is a need to address duplication and inefficiency in this space and an opportunity to maximise social value outputs through economies of scale.

Strong, decisive action needs to be taken on both the demand and supply side to develop a robust social procurement market and to evolve the social enterprise ecosystem. Greater Western Sydney provides a once-in-a-lifetime catalyst for the development, implementation and showcasing of new policies. To this end we have developed three key recommendations, which are detailed in the document:

1. **Development of a NSW Social Procurement Framework** – NSW needs a bold and visionary whole-of-government Social Procurement Framework that includes ambitious targets and reporting mechanisms.
2. **Development of a NSW Social Enterprise Strategy** – Critical to the success of the social procurement framework will be a strong social enterprise sector. This requires the development and adoption of a NSW Social Enterprise Strategy.
3. **Establishment of a Western Sydney Infrastructure Pathways Program** – Based on feedback from stakeholders, there is an identified need to centralise aspects of procurement that seek to deliver skills development, cultural and gender diversity targets, pre-employment and local supply chain engagement. The Western Sydney Infrastructure Pathways Program (WSIPP) would achieve this, leveraging collaboration, economies of scale, and positive outcomes for the region.



INTRODUCTION

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INTRODUCTION

While we are seeing some positive and encouraging developments in the way social procurement is integrated in public spending decisions and the approach by government, industry and the wider community, more can be done to secure a higher dividend. In NSW, we have seen a number of impactful project-based examples of social procurement in action.


Transport for NSW, and its related agency, Sydney Metro, responsible for the bulk of the state's infrastructure spending pipeline, in particular has a strong track record and reputation for leading and is regarded as the exemplar agency in the NSW Government in this space.

Within this central framework, there is also an enormous opportunity, with the right policy settings, to unlock the value-generating potential of the social enterprise sector across NSW, and especially in GWS, where pockets of profound disadvantage and concerning rates of disengagement need to be addressed.

The opportunity

This unprecedented government spend, particularly in the Greater Western Sydney (GWS) region, provides a unique opportunity to ensure that the injection of funds and resulting infrastructure doesn't just generate assets and economic benefits, but also creates lasting social benefits for the local and wider communities. This is what we call 'social value'.

Through proactive social procurement during the delivery phase of large infrastructure spend and the subsequent operations phase of the assets, there is the opportunity to create deep social impact and generate lasting and meaningful social value. Within the context of Western Sydney, a focused social procurement approach that leverages the large government infrastructure investment has the potential to be the catalyst for local employment, wealth generation for small and medium enterprises, development of skills and employment pathways for young adults, and support and integration for some of the most disadvantaged members of our community including First Nations people, people with disabilities and new migrant communities and refugees.



...a focused social procurement approach that leverages the large government infrastructure investment has the potential to be the catalyst for local employment...

SOCIAL VALUE & PROCUREMENT INTERNATIONALLY

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SOCIAL VALUE AND PROCUREMENT INTERNATIONALLY

In recent years, in many jurisdictions around the world, we have witnessed an increased focus on the widening of the concept of 'benefit' – from purely economic benefits to the more 'human-centred' concept of social impact and the more holistic and broader concept of social value.

Since January 2013, the UK's Public Services (Social Value) Act 2012 has required public commissioning bodies to consider the social, economic, and environmental well-being of public services contracts. The Act defines social value as "the positive legacy created through the performance of a contract".¹ Further changes implemented in January 2021 require government departments to report on the social impact of their major contracts.

A significant catalyst for an increasingly unified international approach was the development of the UN's Sustainable Development Goals (SDGs) set up in 2015, and the wide adoption by governments and corporations of the framework now widely acknowledged as the "social value charter for the planet".²

In 2015 a global network of organisations and regional networks across 45 countries formed under the name of Social Value International, with a mission to define social value and bring together best practice standards.

Social Value International acknowledges that social value can be subjective, meaning different things to different people.

Social Value UK defines social value as "the quantification of the relative importance that people place on the changes they experience in their lives."³

In New Zealand, Social Value Aotearoa defines social value as "a story about the changes experienced by people. It includes qualitative, quantitative and comparative information, and also includes environmental changes in relation to how they affect people's lives. Some, but not all value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organisation's work."⁴

In Scotland, social impact is "understood as the effects on people and communities that happen as a result of an action, activity, project, programme or policy. A common way to think about social impact is to consider it as the change that happens for or to people as a result of an action or activity."⁵

Social Enterprise UK, the UK membership body for social enterprises, defines social value as "the additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes."⁶

According to the UK Green Building Council "social value encompasses environmental, economic and social wellbeing and understands each of these in terms of their impact on the quality of life of people. What outcomes improve quality of life, and how to deliver them, will look very different depending on the context [...] social value is therefore holistic in scope but focussed on people, highly dependent on context and inherently local to a particular area."⁷

1. <https://www.gov.uk/guidance/vcses-a-guide-to-working-with-government>

2. <https://www.jacobs.com/insights/social-value-blueprint>

3. <https://socialvalueuk.org/what-is-social-value/>

4. https://www.waipareira.com/wp-content/uploads/2017/12/SOCIAL_VALUE_AOTEAROA.pdf

5. <https://www.gov.scot/publications/measuring-social-impact-in-public-procurement-sppn-10-2020/>

6. https://www.socialenterprise.org.uk/wp-content/uploads/2019/05/Social_Value_Guide_Nov12.pdf

7. <https://www.ukgbc.org/wp-content/uploads/2021/02/Framework-for-Defining-Social-Value.pdf>



Despite these nuanced differences, clear commonalities exist around concepts of “measuring change”, “people”, “combining quantitative and qualitative measures”, “complexity” and “causal effects”.

International examples suggest that the easiest way governments can influence the adoption of solid social value policy approaches is by introducing procurement policies that require social value creation to be part of the assessment process when awarding a contract.

Jurisdictions like the UK, New Zealand and Scotland, amongst others, have been leading the way in this area.

United Kingdom

The introduction of the Public Services (Social Value) Act 2012 positioned the UK as an early leader in this space, raising the importance of social value internationally. It has sparked several examples of both good policy and practice.

The Act defines social value as “the positive legacy created through the performance of a contract”⁸ and is part of the legal framework that regulates government procurement in the UK.

Since 2013, the Act requires public servants (including local authorities) who commission work on behalf of government agencies to consider the creation of wider social, economic, and environmental benefits. The Act applies to the pre-procurement stage of contracts for services, acknowledging that it is “where social value can be considered to greatest effect.”⁹

In September 2020, almost a decade since the introduction of the Social Value Act, the UK Government took a further significant step in cementing the importance of social value in government procurement. The Procurement Policy Note (PPN) – “Taking Account of Social Value in the Award of Central Government Contracts (PPN06/20)” introduced a new model to deliver social value through government's commercial activities moving the requirements from “consider” to “evaluate”.

The note states that “Social value should be explicitly evaluated in all central government procurement, where the requirements are related and proportionate to the subject-matter of the contract, rather than just ‘considered’”.

Under the new model, at least 10% of every procurement decision is based on the scoring of a social-value proposal attached to a procurement bid.

Interestingly, the UK Cabinet stated that the changes aim to see a “greater variety of companies deliver government contracts [to help] diversify Government risk, create a more resilient supplier base and deliver some of our critical priorities”¹⁰.

To further facilitate the successful implementation of the Social Value Act, the UK Government has developed the Social Value Model and the Guide to using the Social Value Model which further states that “Social value has a lasting impact on individuals, communities and the environment” and that “Government has a huge opportunity and responsibility to maximise benefits effectively and comprehensively through its commercial activity. It cannot afford not to.”¹¹

8. <https://www.gov.uk/guidance/vcses-a-guide-to-working-with-government>

9. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/79273/Public_Services_Social_Value_Act_2012_PPN.pdf

10. <https://www.gov.uk/government/news/new-measures-to-deliver-value-to-society-through-public-procurement>

11. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940827/Guide-to-using-the-Social-Value-Model-Edn-1.1-3-Dec-20.pdf

The Social Value Model applies to all new procurements from 1 January 2021 and sets out the UK Government's social value priorities for procurement which include five themes and eight policy outcomes.

Table 1: UK Social Value Model Themes

Themes	Policy Outcomes
COVID-19 recovery	Help local communities to manage and recover from the impact of COVID-19
Tackling economic inequality	Create new businesses, new jobs and new skills Increase supply chain resilience and capacity
Fighting climate change	Effective stewardship of the environment
Equal opportunity	Reduce the disability employment gap Tackle workforce inequality
Wellbeing	Improve health and wellbeing Improve community cohesion

Demonstrating the effectiveness of the Social Value Act in influencing decision making and practices over time, most local councils across the UK have also developed Social Value policies that set out their response to the Social Value Act describing the councils' application of the Act in local procurement and in the overall council corporate strategies.

New Zealand

Following the approval in May 2019 of the world's first 'Wellbeing Budget', in June 2020 the New Zealand Parliament embedded a 'wellbeing approach' into legislation by approving the Public Finance (Wellbeing) Amendment Act 2020.

The Act makes citizens' wellbeing an essential consideration for the development of each national budget and requires Treasury to report periodically on the state of wellbeing in New Zealand.

While the Act leaves flexibility for future governments to interpret 'wellbeing', it adopts a broad lens approach, taking into consideration social, environmental, economic, and cultural factors.

What makes the New Zealand Government's approach significant and ground-breaking is the recognition, in law, that "there is a much broader range of success measures that Governments should take into account when putting Budgets together"¹². Recognising that "while economic growth is important [...] it alone does not guarantee improvements to our living standards"¹³, it positioned wellbeing right at the centre of government action, making it part of what is arguably the major economic policy event in most countries, the development of the national budget each year, using the NZ Treasury's Living Standards Framework (LSF) as guidance and reference.¹⁴

The NZ Treasury has developed a bespoke Cost-Benefit Analysis tool (CBAX) – a spreadsheet model containing a database of values licenced from the Australian Social Value Bank, aimed at helping government agencies monetise impacts and do cost-benefit analysis to inform decision making.

12. <https://www.beehive.govt.nz/release/govts-consider-wider-measures-success-wellbeing-amendment-bill-passes>

13. <https://www.treasury.govt.nz/sites/default/files/2019-05/b19-wellbeing-budget.pdf>

14. <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework>

Scotland

In Scotland, the Procurement Reform (Scotland) Act 2014 and the Scottish Model of Procurement ensure that procurement is an integral part of policy development and service delivery. Looking at outcomes instead of outputs and using the power of public spend to deliver genuine public value beyond simply cost and /or quality in purchasing, the model aims for best balance of cost, quality and sustainability in procurement.

The Procurement Reform Act requires those suppliers appointed through Regulated Procurement actions to commit to delivering community benefits.

The Scottish Futures Trust (SFT), established by the Scottish Government as a centre of infrastructure expertise, has developed the SFT Themes Outcomes and Measures (TOMs) based on the UK National TOMs developed by the Social Value Portal enabling high priority social value targets to be established, and the delivery of social value to be tracked, managed and monetised.

...most local councils across the UK have also developed Social Value policies that set out their response to the Social Value Act describing the councils' application of the Act...





SOCIAL VALUE & PROCUREMENT IN AUSTRALIA

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SOCIAL VALUE AND PROCUREMENT IN AUSTRALIA

The conversation around social value in Australia has not progressed at the same pace as in other countries. However, despite the generalised absence of a deep and coordinated conversation around social value, early signs – especially around social procurement in State jurisdictions – have been encouraging.

As stated by Catherine Manning, CEO of Social Value UK, “in procurement, Social Value is about making sure that what we buy is creating benefits for people, stakeholders and society as a whole.”¹⁵

There is no doubt that Australia has the opportunity to fast-track the adoption of Social Value policies, learning from international best practice, however, the three-tier system of government adds a further challenge to achieving a truly coordinated system.

Recent conversations around social value and social benefits through infrastructure have started to pick up momentum in Australia. Albeit with different approaches, States have introduced similar policies around Aboriginal Procurement and Small and Regional Enterprises, development of jobs and skills, and incentives to purchase from Australian Disability Enterprises, and social enterprises.


Another example of the conversation can be found in the recent refresh of the Infrastructure Australia Assessment Framework which, amongst other things, provides new guidance on capturing quality-of-life benefits including a technical guide for economic appraisal, which contains an updated methodology for social cost-benefit analysis.

States (and to a lower extent the Commonwealth¹⁶) have a similar suite of policies that promote the creation of social outcomes through procurement from organisations commonly referred to as ‘social benefits suppliers’. This includes social enterprises, indigenous businesses, Australian Disability Enterprises and Fair-Trade Businesses.

Existing policies include:

- General procurement policies with different degrees of integration of social procurement elements which, as a minimum, promote procurement from Australian Disability Enterprises
- Aboriginal procurement policies
- Small and Medium Enterprises policies with a focus on local and regional content
- Skills and Employment related policies.

Despite differences in the details of all policies, the biggest distinction exists in relation to social procurement when comparing Victoria and Queensland with NSW, which is clearly lagging in that area.



“...in procurement, Social Value is about making sure that what we buy is creating benefits for people, stakeholders and society as a whole.”





15. <https://socialvalueuk.org/a-short-blog-on-the-future-of-social-procurement/>

16. It is to be noted that at Commonwealth level, the Indigenous Procurement Policy sets targets, requires indigenous business be given an opportunity (only for procurements valued between \$80,000 and \$200,000 incl. GST) and sets Indigenous employment and business participation targets to contracts above \$7.5m. Exemption 17 to the Commonwealth Procurement Rules also allows entities to directly engage a small and medium enterprise for procurements valued up to \$200,000 (incl. GST) providing value for money can be demonstrated.

Table 2: Procurement Policies in Australia's largest States and Commonwealth

Jurisdiction	Procurement Policy	Indigenous Procurement Policy	Local/Regional SME Policy	Skills and Employment Policy	Social Procurement Policy
Victoria		  	  	  	  
QLD		  	  	  	   Social Procurement included in Procurement Policy
NSW		  	  	  	 Reference to social enterprises introduced in the Procurement Policy Framework in 2020
Commonwealth		  	  Australian Industry Participation*		

Key:

-  Policy in place
-  Policy not in place
-  Targets in place
-  Reporting required

* Australian Industry Participation (AIP) is a Commonwealth Policy that commits the Australian Government and state and territory governments to adopting a consistent national approach to maximise Australian industry participation in major projects in Australia and internationally. The interaction between the AIP and the various State policies highlights a typical example of the complication created by the multiple tiers of government in Australia. Amongst the principles of the AIP policy framework are in fact the need to be "free of interstate preferences" and to be "consistent with International Trade Obligations" which clearly clash with State policies promoting local and regional procurement.

Victoria

In Victoria, different policies and rules apply in relation to government agencies purchasing goods and services or construction.

Government procurement for goods and services is regulated by the Financial Management Act 1994 with the Victorian Government Purchasing Board setting the policies that govern procurement of non-construction goods and services across all Victorian government departments and some specified entities.

Construction procurement is regulated by the Project Development and Construction Management Act 1994 with the Ministerial Directions and Instructions for Public Construction setting out the framework for procuring works and construction services for government buildings and infrastructure projects.

Under these, several policies are applicable to goods and services and construction procurement.

Most importantly, the Victorian Social Procurement Framework (2018) placed Victoria ahead of other local Australian jurisdictions in the journey towards embedding the broad concept of social value in the Australian context.

The framework is a whole-of-government social procurement approach, applying to “procurement of all goods, services and construction undertaken by, or on behalf of, departments and agencies subject to the Standing Directions 2018 under the Financial Management Act 1994” with other Victorian public bodies being encouraged to adopt it as well.

Social value and social procurement are also acknowledged in procurement practices for Victorian local government, as clearly articulated in the Second Edition of Beyond Value for Money: Social Procurement for Victorian Local Government which clearly states that “Social procurement refers to the generation of social value through purchasing and procurement processes. Social procurement ensures that procurement decisions incorporate consideration of social value to build real ‘triple bottom line’ value propositions into procurement processes.”¹⁷

The framework defines social procurement as the use of an organisation’s “buying power to generate social value above and beyond the value of the goods, services, or construction being procured” and social value as “the benefits that accrue to all Victorians when the social and sustainable outcomes in this Framework are achieved.”¹⁸

The framework establishes objectives, expectations, measurement, and reporting requirements.

Under the framework, social procurement is seen as both direct – like purchasing goods, services or construction – or indirect – where an agency uses the supply process to indirectly seek social and sustainable outcomes for Victorians.

The framework acknowledges and encourages place-based approaches to procurement to support regional SMEs and it identifies procurement from Social enterprises, Aboriginal businesses, Australian Disability Enterprises (ADEs) and suppliers that provide inclusive opportunities.

The framework integrates sustainable procurement practices within social procurement and identifies seven social procurement objectives:


- Victorian Aboriginal people
- Victorians with disability
- Women’s equality and safety
- Disadvantaged Victorians
- Safe and fair workplaces
- Sustainable Victorian social enterprises and Aboriginal business sectors
- Sustainable Victorian regions

It also identifies three sustainable procurement objectives that focus on the sustainability of the environment as well as of businesses practices.

Importantly, each of the objectives identify a set of specific outcomes.

17. https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0017/165014/Beyond-Value-for-Money-Social-Procurement-for-Victorian-Local-Government-2nd-edition-update-4-April-2019.pdf

18. <https://www.buyingfor.vic.gov.au/social-procurement-victorian-government-approach>



In addition, Victoria has policies that aim to facilitate local jobs and the creation and development of skills through apprenticeships, traineeships, and Cadetships for major projects (over \$20m).

The requirements within the framework are set as recommendations for government agencies and divided in bands according to the value of the procurement activity:

- Below Threshold (Encouraged): Regional under \$1m and Metro/State-wide under \$3m;
- Lower Band (Proportionate): Regional \$1m-\$20m and Metro/State-wide \$3m-\$20m
- Middle Band (Targeted): \$20m-\$50m
- Upper Band (Strategic): Over \$50m

The framework is supported by guidance, tools, and templates for the benefit of government buyers and suppliers.

The Victorian Government has identified a partnership approach to achieving success in the implementation of the framework, to develop buyer and supplier capability, supporting suppliers and connecting buyers and suppliers. For this reason, it has partnered with Kinaway (Victorian Aboriginal Chamber of Commerce), Social Traders (Australia's leading organisation that connects social enterprise with social procurement opportunities), and Supply Nation (the Australian leader in Indigenous supplier diversity).

Measurement and reporting are key components of the framework. Government departments and agencies are required to report on their social procurement activities in their annual reports against individual contracts and at the department or agency level.

In addition, Victoria has policies that aim to facilitate local jobs and the creation and development of skills through apprenticeships, traineeships, and Cadetships for major projects (over \$20m).

The Local Jobs First Policy supports Victorian businesses and workers by ensuring that small and medium size enterprises are given a full and fair opportunity to compete for both large and small government contracts, helping to create opportunities including for apprentices, trainees, and cadets.

The Major Projects Skills Guarantee requires all publicly funded building, construction, infrastructure, civil engineering, or other capital works over \$20 million to use local apprentices, trainees, or engineering cadets for at least 10 percent of the total estimated labour hours.

Queensland

The Queensland Procurement Policy (QPP) 2021 establishes a framework by which the benefits for Queensland and Queenslanders can be maximised through the government's procurement of goods and services.

The QPP includes a 'local benefits test' for all significant procurement where a weighting of up to 30 percent may be applied.

The QPP also includes Queensland Government targets and commitments relevant to procurement. These include (but are not limited to) economic, environmental, and social targets.

Economic

- Require the application of 'best practice principles' for all major projects valued at \$100 million and above and declared projects.
- Build regions by increasing the participation of Queensland suppliers and local workforces in procurement opportunities.
- Require the use of contractors and suppliers, including manufacturers, that employ local workforces, in significant Queensland Government infrastructure projects, worth \$100 million and above, wherever possible.
- Increase opportunities for apprentices and trainees in significant Queensland Government infrastructure projects, worth \$100 million and above.
- Increase procurement with Aboriginal and Torres Strait Islander businesses to three percent of addressable spend by 2022.
- Focus on using the government's procurement activities to create genuine, quality, secure ongoing jobs for Queenslanders.
- Source at least 25 percent of procurement by value from Queensland small and medium enterprises, increasing to 30 percent by 30 June 2022.

Environmental

- Achieve net zero emissions by 2050.

Social

- Increase spend with genuine, quality social enterprises, providing award-based wages (using the Supported Wage System where appropriate) and pathways to mainstream employment for disadvantaged Queenslanders.
- Take into account workplace policies and practices aimed at ending domestic and family violence as part of supplier evaluation and selection.
- Ensure that all Queensland Government procurement activities are compliant with the Disability Discrimination Act 1992.

Other relevant elements of the Queensland procurement policy framework are:

- Ethical Supplier Mandate and Ethical Supplier Threshold – which ensures suppliers to the Queensland Government meet economic, environmental and social commitments as made in contracts or required by relevant policy or laws.
- Queensland Charter for Local Content – which maximises local content through greater participation of capable local industry in major government procurement activities.
- Queensland Government Building and Construction Training Policy – which supports employment opportunities and skills development in Queensland's building and construction industry.
- Queensland Indigenous (Aboriginal and Torres Strait Islander) Procurement Policy – a whole-of-government framework to increase procurement with Indigenous businesses to be three percent of the value of government procurement contracts by 2022.
- Queensland Government Supplier Code of Conduct – which sets out the expectations the Queensland Government has of potential suppliers and outlines what constitutes a responsible supplier.
- Queensland Small Business Procurement Commitment Action Statement – which commits to making it easier for small businesses to supply to the Queensland Government.

New South Wales

Government procurement in NSW is regulated by the Public Works Procurement Act 1912 (PWP Act) and several specific procurement policies (including the NSW Procurement Policy Framework, the Aboriginal Procurement Policy, the SME and Regional Policy and the NSW Government Action Plan - A ten point commitment to the construction sector), which have all recently undergone reviews and updates.

NSW Government Action Plan - A ten point commitment to the construction sector

The Action Plan was developed by the NSW Government's Construction Leadership Group in 2018. It states the NSW Government's commitment to a broader and longer term definition of "value for money" in construction procurement.

The Action Plan applies to all NSW Government-procured construction, aims to:

- Increase the capacity of the supply side
- Reduce costs and drive efficiency
- Develop the workforce
- Encourage greater diversity and
- Drive innovation through partnerships and collaboration.

Government agencies are required to report on implementation progress.¹⁹

Public Works Procurement Act 1912 (PWP Act)

The Public Works and Procurement Act 1912 (PWP Act) provides the legislative framework for procurement for NSW government agencies.

The PWP Act establishes the NSW Procurement Board as the governing body, defining its objectives and functions as well as procurement obligations of government agencies.

NSW Government agencies must comply with:

- The PWP Act
- Government Sector Finance Act 2018
- Independent Commission Against Corruption Act 1988
- Government Information (Public Access) Act 2009
- NSW Government policy
- NSW Procurement Board Directions and policies
- Premier's Memoranda
- Treasurer's Directions

Key to NSW Government procurement is the concept of 'devolved governance', with the heads of government agencies ultimately responsible for managing their agency's procurement and compliance.

The PWP Act and the Procurement Board's policies and directions apply to all government agencies, excluding state-owned corporations and local councils.²⁰

The PWP Act makes no mention of social value.

19. <https://www.infrastructure.nsw.gov.au/media/1649/10-point-commitment-to-the-construction-industry-final-002.pdf>

20. Section 55 (3) of the Local Government Act 1993 (NSW) prescribes Local Government Procurement (LGP), allowing councils to utilise supply arrangements coordinated by LGP without the need to go to tender in their own right. LGP therefore has the same status as NSW Procurement in having this legislative requirement.

NSW Procurement Policy Framework

The NSW Government Procurement Policy Framework (2021) is a policy for the purpose of s.176(1)(a) of the PWP Act, with government agencies required to comply with the mandatory parts of the policy in the end-to-end procurement process, including the procurement of goods and services of any kind, including construction.

The framework makes a distinction between mandatory (“must”) and good practice (“should”, “may”, “recommended”).

The framework sets five key objectives:

- Value for money
- Fair and open competition
- Easy to do business
- Innovation
- Economic development, social outcomes, and sustainability

In August 2020, the NSW Government announced a new agreement with Social Traders²¹ to boost the social enterprise sector and create job opportunities for people most in need, making it easier for government departments to secure goods and services from certified social enterprises.

Social enterprises were added to the Framework under Objective 5 – Economic development, social outcomes and sustainability.

Agencies are now encouraged to procure from social enterprises to support economic and social change for disadvantaged people. Social enterprises now qualify for the purchasing preferences and initiatives under the SME and Regional Procurement Policy, Aboriginal Procurement Policy or PWP Regulation.

The NSW Government also became the inaugural sponsor of the Social Enterprise Council of NSW & ACT (SECNA) – a member of the Alliance of Social Enterprise Networks Australia (ASENA) that is currently working towards the development of a National Social Enterprise Strategy, leading up to the 2022 Social Enterprise World Forum in Brisbane.

In addition, procuring from an Australian Disability Enterprise (ADE) is encouraged through the Public Works and Procurement Regulation 2019, which allows agencies to purchase goods and services from an approved ADE via a single written quote.

To facilitate purchasing goods and services from ADEs and give people with disability the opportunity to participate in the workforce, industry peak body National Disability Services (NDS) established the Buyability platform with the support of the Department of Social Service.

Aboriginal Procurement Policy

The NSW Aboriginal Procurement Policy (2021) (APP) applies to the procurement of all goods and services, including construction, by a government agency within the meaning of section 162 of the PWP Act.²²

The APP sets specific targets for government clusters to be achieved by 31 December 2021:

- 1% of total addressable spend directed to Aboriginal businesses
- 3% of total goods and services contracts awarded to Aboriginal businesses
- 3,000 full-time equivalent employment (FTE) opportunities supported

The APP stipulates that agencies must include minimum requirements for 1.5% Aboriginal participation in all contracts valued at \$7.5 million or above by requiring one or a combination of the following:

- At least 1.5% of the contract value to be subcontracted to Aboriginal businesses
- At least 1.5% of the contract’s Australian based workforce (FTE) that directly contribute to the contract to be Aboriginal or Torres Strait Islander peoples
- At least 1.5% of the contract value to be applied to the cost of education, training or capability building for Aboriginal staff or businesses directly contributing to the contract.

The APP allows agencies to consider appropriate exclusions based on individual circumstances of each procurement.

21. Social Traders enable business and government to create positive impact by deeply integrating Certified Social Enterprises into their supply chains.

22. State-Owned Corporations, the Parliament of NSW and local councils are not covered by the APP however State-Owned Corporations are encouraged to adopt aspects of the APP that are consistent with their corporate intent.

For procurement up to \$250,000, agencies should give first consideration to Aboriginal businesses for procurements and may negotiate directly with an Aboriginal business.

Training Services NSW has established the Aboriginal Participation Fund to receive payments when a supplier does not meet contracted Aboriginal participation requirements. Training Services NSW will use these funds to target skills and capacity gaps, education and capability building programs for Aboriginal people and businesses to enable participation requirements to be met for future NSW Government contracts.

The outcomes and effectiveness of the APP will be reviewed in 2022.²³

Infrastructure Skills Legacy Program

In May 2020 the NSW Procurement Board approved the Infrastructure Skills Legacy Program (ISLP), managed by Training Services NSW, as a mandatory requirement for all major NSW Government infrastructure projects from 1 July 2020.

The ISLP applies to any construction project undertaken by, or procured by, a government agency, or a construction project undertaken by another party (for example, a non-government organisation) where a government agency provides a significant financial or other contribution.

There are no specific skills, training and diversity targets for projects up to \$10m, but there is an expectation that agencies and contractors will commit to supporting skills development on construction projects. There are two subsequent bands and requirements for projects between \$10m and \$100m and for projects above \$100m.

SME and Regional

Another set of key policies aimed at influencing the creation of 'value' are policies that promote local and/or regional procurement. In NSW, the SME and Regional Procurement Policy (2021) was first approved in 2019 and updated on 1 July 2021.

The policy aims to increase the participation of SMEs and regional business in government procurement of goods and services, stipulating the following expected outcomes by 2023:

- More contracts awarded to SMEs
- More participation of SMEs on large contracts
- Increased spend with SMEs overall and as a proportion of total government procurement expenditure; and
- Improved capability of SMEs and regional businesses.

SMEs include local businesses, Aboriginal-owned businesses, social enterprises, and disability employment organisations.

The policy applies to the procurement of all goods and services (excluding construction), by a NSW Government agency²⁴.

State-owned corporations, the Parliament of NSW, and local councils are not covered by this policy, however, State-owned corporations are encouraged to adopt aspects of the SME and Regional Procurement Policy that are consistent with their corporate intent.

NSW Government agencies must apply the policy to all goods and services procurement activities commencing from 1 July 2021. In particular:

- Agencies may directly negotiate with and engage an SME or regional supplier up to \$150,000, even if there is a whole-of-government arrangement in place
- For procurements up to \$3 million, agencies must first consider buying from an SME where direct procurement is allowed, including prequalification schemes and panels
- For procurements valued at \$3 million or more, agencies must include in the non-price criteria as a minimum:
 - a. 10% allocated to SME participation
 - b. 10% allocated to support for the NSW Government's economic, ethical, environmental, and social priorities
- For contracts over \$3 million, suppliers must submit an SME and local participation plan and report on these commitments quarterly.

23. Similarly, since 2015 (updated in 2020), the Australian Government Indigenous Procurement Policy (IPP) aims to increase the Commonwealth's Indigenous procurement through:

- a. Annual targets for the volume and value of contracts to be awarded to Indigenous enterprises
- b. A Mandatory Set Aside (MSA) for procurements in remote Australia and procurements between \$80,000 and \$200,000
- c. Mandatory minimum requirements (MMR) for indigenous participations.

The Policy is administered by the National Indigenous Australians Agency (NIAA) which contracts Supply Nation to maintain a free registry of Indigenous enterprises known as 'Indigenous Business Direct'.

24. Within the meaning of section 162 of the Public Works and Procurement Act 1912 (collectively referred to as 'clusters' or 'agencies' in this policy).

City Deals

City Deals are partnerships between the three tiers of government, and are part of the Australian Department of Infrastructure, Transport, Regional Development and Communication Cities Agenda, to align the planning, investment and governance necessary to accelerate growth and job creation, stimulate urban renewal, and drive economic reforms.

City Deals are aligned with SDG Goal 11 – Make cities inclusive, safe, resilient and sustainable. To date, eight city deals have been agreed to, including Western Sydney (March 2018).

The Western Sydney City Deal brings together the Australian and New South Wales Governments and the eight local councils in the Western Parkland City (Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith and Wollondilly). The aim is to deliver transformative change to the region over the next 20 years and create “A thriving future-focused city that is highly connected, innovative and liveable.”²⁵

The City Deal includes 38 commitments with the core goals of:

- Realising the 30-minute city by delivering the Sydney Metro – Western Sydney Airport (formerly the North South Rail Link)
- Creating 200,000 jobs by supercharging the Aerotropolis and agribusiness precinct as catalysts
- Skilling residents in the region and initiating an Aerospace Institute
- Respecting and building on local character through a \$190 million Liveability Program
- Coordination and innovation through a Planning Partnership
- Getting on with delivering for the Western Parkland City with enduring tri-level governance

In 2020, a Progress report was released highlighting the achievements to date in the areas of Jobs for the Future, Skills and Education, Liveability and Environment, Planning and Housing, and Implementation and Governance: <https://www.infrastructure.gov.au/cities/city-deals/western-sydney/files/western-sydney-progress-report-2020.pdf>

A formal review of the Western Sydney City Deal will be conducted in 2021.

25. <https://www.wscd.sydney/city-deal>

A group of diverse people are gathered in a festive, brightly lit indoor setting, possibly a shopping mall or event space. In the center, a man in a blue polo shirt is smiling broadly while holding a large, fluffy brown dog. To his left, a woman in a white shirt is clapping and smiling. To his right, another woman in a blue jacket is also clapping. In the foreground, a woman with long dark hair is laughing heartily. The background is filled with other people, some of whom are also clapping. The overall atmosphere is joyful and celebratory.

SOCIAL PROCUREMENT AND THE SOCIAL ENTERPRISE MOVEMENT

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SOCIAL PROCUREMENT AND THE SOCIAL ENTERPRISE MOVEMENT IN AUSTRALIA

A growing list of examples exists in Australia and international jurisdictions showing prioritisation of social value and social procurement.

With the unprecedented level of infrastructure spend planned for Western Sydney and the existing – albeit fragmented – procurement policies and framework in NSW, a clear opportunity exists to elevate the conversation around social procurement in the State as a way of creating social value, identifying clear targets, and shifting social procurement from something that is “encouraged” to something that is “required”.

As we have seen, some mandatory targets are already in place in other jurisdictions and in areas like First Nations businesses and Skills/Employment investment.

On the back of the growing importance and sophistication of the social enterprise movement in Australia, the next logical step is to make government agencies and contractors accountable for the delivery of social value through social enterprise procurement.

The social enterprise sector in Australia has been growing relatively slowly, but steadily, with different approaches in each State.

Social enterprises are an heterogeneous group of businesses that reflect the great diversity offered by the social enterprise model. They are often established through many different legal structures and operate in many different sectors, however social enterprises have some important common elements. In particular, social enterprises must:

- Have a defined primary social, cultural or environmental purpose consistent with a public or community benefit;
- Derive a substantial portion of their income from trade;
- Invest efforts and resources into their purpose such that public/community benefit outweighs private benefit.

In Australia, since 2008, Social Traders has been providing independent certification for social enterprise. According to Social Traders, social enterprises can be grouped in three main categories:

- **Employment-generating** – creating employment and training opportunities for marginalised people
- **Community need** – delivering accessible products and services to meet community needs that are not met by the market
- **Profit redistribution** – donating at least 50% of profits or revenue to charity

Social enterprise procurement can elevate and deepen the benefits generated by public spending, transforming procurement “from the traditional model of merely an economic transaction between buyer and seller, to a means for social transformation in communities.”²⁵

Interestingly, the UK Social Value Act was originally pushed, amongst others, by the social enterprise sector who saw the approach of “forcing” the demand side (“encouraging” first, then eventually “mandating”) as the best lever to push the adoption of social value as a key underlying principle of government procurement.

When discussing gaps and opportunities around social enterprise procurement, it is essential to consider both the demand and the supply side as successful social procurement policies and environments cannot succeed without a strong and reliable supply alongside demand.



The Centre for Social Impact (CSI) Swinburne – in partnership with IPA Personnel, The Chartered Institute of Procurement and Supply (CIPS), Social Traders and Ākina Foundation – has recently released The State of Social Procurement in Australia & New Zealand 2021, an in-depth analysis of the breadth and scope of Social Procurement in Australia and New Zealand. The report is based on a comprehensive survey conducted over a five-week period amongst procurement professionals in the private, public, and social economy organisations in Australia and New Zealand.

The report found that amongst the most important factors driving organisations to develop social procurement strategies were:

- The organisational value system (64%)
- The role of government and laws compelling them to act (59%)
- Customer expectations (45%)

On the flipside, the key challenges identified were mostly related to the supply base with major issues being:

- Lack of relevant suppliers (53%)
- Suppliers' inability to measure the social impacts of the organisation (35%).

The report clearly supports the idea that governments are in a unique position to stimulate the development and uptake of social procurement strategies, with 86% of respondents agreeing that social procurement will become even more important, especially when driven by government legislation.

Social enterprise procurement is a key element of the broader social procurement concept. There is no doubt that for infrastructure spend to unlock social value through social procurement, a strong and diverse social enterprise sector needs to exist to meet what would be an increasing demand for reliable, scalable, and commercially viable supply of goods and services.

A national strategy perspective has recently been gaining momentum within the social enterprise sector, organising itself more granularly in each State and Territory through State-based practitioner-led associations, as well as some social enterprise and philanthropy champions. The movement – which is looking at the 2022 Social Enterprise World Forum in Brisbane as a catalyst for change – has generated what is known as the Social Enterprise National Strategy (SENS) Project, with the aim of achieving improved performance, competitiveness and impact of individual enterprises, sector growth, diversity and depth, improved coordination, collaboration and increased influence on mainstream business practices, and public sentiment.

The social enterprise sector in Australia has been growing relatively slowly, but steadily, with different approaches in each State.

Victoria

Leading the way nationally is Victoria. The Dara Foundation and the Victorian State Government established Social Traders in 2008 as an independent not-for-profit organisation, to support and encourage the establishment of commercially viable social enterprises throughout Australia.

Since its establishment, Social Traders has pushed for the development of the sector through independent certification of social enterprises, advocacy and the facilitation of a growing marketplace that brings together business, government, and social enterprises.

The Victorian Social Procurement Framework has been a key driver of the growth of social procurement. By way of example, over the last three financial years to FY20, 75% of social procurement in Australia has occurred in Victoria, 17% in NSW and 5% in Queensland, with Property (28%), Government (26%) and Construction and Infrastructure (18%) the largest areas of spend.²⁶

Indicating a steady growth of the sector over the last three financial years to FY20, both the number of social enterprises and the total spend by business and government members of Social Traders has doubled every year.

Since its establishment, Social Traders has taken more of a national role and focus, becoming the de-facto peak body for the sector.



...75% of social procurement in Australia has occurred in Victoria, 17% in NSW and 5% in Queensland...

In 2017, the Victorian Government launched its Social Enterprise Strategy²⁷, a first in Australia, followed in 2018 by the launch of the Victorian Social Procurement Framework. The two documents have worked hand in hand to signal the strong and ongoing commitment by the Victorian government to embed social procurement across government procurement policies and practice.

Signalling its maturity, in 2018 the social enterprise sector in Victoria established Social Enterprise Network Victoria (SENVIC), a member based peak body of social enterprise practitioners, a further component of the Victorian social enterprise ecosystem with the ultimate objective of giving practitioners an independent and collective voice. Similar member-based peak bodies have now been established in all other States and Territories.

Building on the success of the 2017 Strategy, the Victorian Government and Victorian peak body Social Enterprise Network of Victoria (SENVIC)²⁸ have recently launched the Victorian Social Enterprise Strategy 2021-2025, which “sets an ambitious agenda for a thriving social enterprise sector that creates more jobs, delivers social and economic benefits to Victoria, and supplies the marketplace with quality and diverse goods and services.” The Strategy identifies actions to further strengthen State Government and Local Government commitments to social procurement and identifies 14 specific actions, around four key themes:

- **Theme 1:** Building business skills and capability and capturing impact
- **Theme 2:** Enhancing recognition and access to innovative financing to scale impact
- **Theme 3:** Fostering a connected and innovative social enterprise ecosystem across Victoria
- **Theme 4:** Opening doors for social enterprises across government

26. <https://www.buysocialcanada.com/posts/update/social-procurement-in-2021-unprecedented-potential-for-a-paradigm-shift/>

27. Social Traders, https://assets.socialtraders.com.au/downloads/ST001_Impact-Report_Final2.pdf

28. The original Victorian Social Enterprise Strategy advocated for greater coordination across government to support social enterprises. The strategy included eight initiatives across three action areas to support the growth of the social enterprise sector and inclusive economic growth across Victoria. The action areas were increasing impact and innovation, building business capacity and skills and improving market access.



WORK INTEGRATED SOCIAL ENTERPRISES



CLEAN FORCE PROPERTY SERVICES

Clean Force Property Services (Victoria & NSW) is a multiple award-winning social enterprise, providing quality commercial cleaning services for offices, apartment complexes, entertainment venues, factories and vacated residences. *Clean Force* employs a blended workforce with approximately 50% of employees diagnosed with a disability or experiencing disadvantage. *Clean Force* provides services to a diverse customer base including large not-for-profits, corporates, government, and medium-sized businesses in more than 320 premises, with major clients including Telstra, Boral, John Holland, Lend Lease, Fulton Hogan, CPB, Laing O'Rourke, NSW Department of Health, NSW Department of Finance, NSW Department of Planning, Industry and Environment and several small-to-medium sized businesses.

EQUITY LABOUR SERVICES

Equity Labour Services ELS (Tasmania) is a social enterprise established in 1999, delivering vegetation control, litter collection, cleaning services, large-scale mowing/slashing, landscaping and general maintenance to a range of government organisations and corporates throughout Tasmania. *ELS* is the largest vegetation management business in Tasmania, employing and training local people who have experienced difficulty in gaining and retaining employment.

JIGSAW

Jigsaw is a social enterprise that trains and transitions people with disabilities into award wage employment, adopting a revolutionary pathway to open employment that embeds a comprehensive, skill-based training program within a commercial document and data management business.

Jigsaw's holistic approach starts from the very basics of work-readiness training all the way through to supported transition to mainstream employment, ensuring trainees gain transferable skills relevant to every workplace and paid professional experience along the way. *Jigsaw* operates in Sydney, Brisbane, Melbourne and Adelaide, and has to date supported 610 trainees, with 44 having transitioned to open employment.

KICK START

Kick Start is a social enterprise established and operated by the PAYCE Foundation. Through an innovative approach aimed at sharing the commitments as well as benefits of the social enterprise with the construction industry, *Kick Start* operates a fleet of mobile canteens on construction sites across Sydney, while providing training and employment opportunities for young people at risk. *Kick Start* partners with the construction industry and community organisations to deliver positive social outcomes.

Over a 6 month employment and training program, trainees complete a Certificate III in Hospitality and obtain Responsible Serving of Alcohol (RSA) certification and are mentored in securing employment pathways post-program.

Queensland

In 2019, the Queensland Government launched its own Social Enterprise Strategy, similar to the Victorian strategy, identifying three key focus areas:

- Building capability and capacity in the social enterprises sector, including access to financial support
- Making connections across the sector to increase collaboration and promotional opportunities
- Improving market access by linking social enterprises to procurement opportunities

As part of its commitment to support the growth of the social enterprise sector and promote social procurement, the Queensland Government announced, as part of the 2020–21 Queensland State Budget, an \$8 million Social Enterprise Jobs Fund over two years to support social enterprises to scale-up and create training and employment opportunities through three key tiers of activity:

- **Social enterprise capacity and capability development** – supporting the Queensland Social Enterprise Council as a sector peak body and providing grants to social enterprises to develop and grow
- **Social enterprise market development** – promote procurement opportunities for social enterprises
- **Social enterprise finance** – support access to finance and the creation of training and employment opportunities within social enterprises.

Support for social enterprises is also gaining some momentum at local government level. A notable example is the initiative by the Brisbane City Council which expressed its renewed commitment to the advancement of social enterprises, funding one-on-one business coaching for established social enterprises to grow and develop their business models and emerge as stronger businesses post-pandemic and establishing the Brisbane Social Enterprise Hub.²⁹

On the back of this new strategy, with the 2022 Social Enterprise World Forum being held in Brisbane, and with dynamic and innovative social enterprises working in partnership with philanthropy, Queensland is shaping up to achieve significant growth for the social enterprise sector in Australia, as well as the broader context of social impact and social value creation.

New South Wales

NSW trails behind Victoria in the number of certified social enterprises, social procurement spend, and Social Traders' buyer members. There is no doubt that NSW has been quite passive, especially at government level, around the growth of the sector, which has grown organically – or as a result of corporate CSR policies and strategies – rather than intentional policies, action and stimuli.

The agreement announced in 2020 between the NSW Government and Social Traders provided general intent and reference to social enterprise in the NSW Procurement Policy Framework. However, more than 12 months on, no new objectives or outcomes have been announced, nor has a pathway to stronger, sector-wide social procurement policy been defined.

From a sector perspective, NSW saw the establishment of its own industry representative body, the Social Enterprise Council of NSW and ACT (SECNA). The organisation is in its infancy and has received some financial support from the City of Sydney and NSW Government, but far from the scale of the support announced by other State Governments for their equivalent organisations and sectors.



From a sector perspective, NSW saw the establishment of its own industry representative body, the Social Enterprise Council of NSW and ACT (SECNA).

29. <https://www.brisbane.qld.gov.au/about-council/governance-and-strategy/business-in-brisbane/business-opportunities/social-enterprise-in-brisbane>



ENVIRONMENTAL FOCUSED SOCIAL ENTERPRISES



COMMUNITY RESOURCES

Community Resources was established in 1987 as a community development organisation on Worimi land on the Mid North Coast of NSW to focus on training and employment for people experiencing disadvantage. It is an outstanding example of a not-for-profit organisation that over the years developed in a sophisticated organisation and a group of social enterprises employing approximately 600 people and deriving over 75% of its \$30m revenue from trade. *Community Resource's* social enterprises are:

GREEN CONNECT

Green Connect (Wollongong) is a social enterprise creating jobs and employment pathways for young people and former refugees in work that helps the planet and the community through a farm and an op shop, zero waste services at events, and staffing solutions to businesses and Councils.

In the last financial year, *Green Connect* kept 157 tonnes of waste out of landfill, grew and distributed 35,118kg of chemical free food, and employed 111 former refugees and young people.

SOURCE RECOVERY AUSTRALIA

Resource Recovery Australia (Queensland, NSW and ACT) is a social enterprise that works in waste management, keeping waste out of landfill and creating jobs for people experiencing barriers to employment through reuse shops, transfer stations, weighbridges, landfills, community recycling centres, a container deposit refund facility, a problem waste mobile community recycling service, mattress deconstruction, expanded polystyrene processing, non-ferrous metal recycling, and community spaces and workshops. The problem waste mobile community recycling is situated in Western Sydney as a service to Cumberland City Council, Blacktown City Council and City of Parramatta residents.

SOFT LANDING

Soft Landing (NSW, Victoria, WA and ACT) is a social enterprise that collects and recycles mattresses to keep waste out of landfill and create jobs for people experiencing barriers to work.

Recycled mattresses can be made into metal roofing, carpet underlay and mulch instead of taking up landfill space. For every 35 mattresses collected and recycled each day, *Soft Landing* can create a job. Most of *Soft Landing's* revenue is directed to wages of people who experience barriers to employment and is spent in local communities.

UNDERSTANDING STAKEHOLDER NEEDS



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UNDERSTANDING STAKEHOLDER NEEDS

We conducted stakeholder research to examine attitudes towards social procurement and a range of related issues. Qualitative surveys were held with a broad cohort of executive stakeholders with extensive direct experience on procurement and delivery of major projects and in the business, community and politics of Western Sydney.

Research shows that support for the principles of social procurement is overwhelming and there is also a very high degree of support for government to act to ensure that it secures an optimal community dividend on publicly funded infrastructure. Further, stakeholders firmly believed that support in the broader community for more coordinated and targeted policy on social procurement would be widespread if the benefits and costs were communicated clearly.

Stakeholders believe there needs to be a more systematic and deliberate effort to maximise the legacy from the record investment in the region. While there is broad acknowledgement of efforts already being made in this space, most interviewees questioned whether we are doing enough to track delivery against agreed targets and to measure outcomes to ensure procurement policy evolves to meet changing needs of communities and is as efficient and results-driven as it can be.

The research confirmed that government and the private sector are increasingly prioritising social procurement principles in decision making, however a lack of coordination and continuity between projects creates duplication and missed opportunities to secure greater social value than might otherwise occur.

In Greater Western Sydney, the region's not-for-profit and social enterprise sector has risen to the massive challenges presented during the pandemic, and has proven in many circumstances to be better connected and more effective in reaching disengaged and vulnerable communities than government or the private sector can ever be. The region's leaders strongly believe the time is right to unleash the massive value generating potential of this sector as the delivery of major projects really kicks off in the coming years.





Methodology

To help inform recommendations, we drew on the themes, ideas and public policy trends outlined in the policy review, to undertake qualitative research with a select cohort of current and former executive and senior management level stakeholders.

Between July and September 2021, we held a series of 15–30-minute interviews, in which stakeholders were asked a set of questions and engaged in a facilitated discussion on social procurement policy, the current infrastructure boom in Greater Western Sydney, and areas of opportunity in the region.

A total of 32 interviews were held with senior representatives from the following organisations:

- Campbelltown City Council
- City of Canterbury Bankstown Council
- City of Parramatta Council
- CPB
- Deerubbin Local Aboriginal Land Council
- Department of Infrastructure, Regional Development & Communications
- Greater Sydney Commission
- Infrastructure NSW
- Investment NSW
- John Holland
- Liverpool City Council
- Multiplex
- Penrith City Council
- South Western Sydney Local Health District
- Sydney Metro
- Sydney Water

- TAFE NSW
- Transport for NSW
- Western Parkland City Authority
- Western Sydney Business Chamber
- Western Sydney Local Health District
- Western Sydney University
- Western Sydney Community Forum

The representatives were primarily executives or senior ranking staff members with extensive experience in corporate affairs, policy, and politics, as well as procurement by large government organisations and business development and delivery within tier one contractors.

Notes were captured from each conversation with an understanding and commitment on the part of the researchers to anonymise published feedback unless otherwise consented.

The timing of this research coincided with the COVID-19 crisis and lockdown across Greater Sydney, with Western Sydney facing particularly damaging health and economic impacts during this time. As a result, discussions around socio-economic disadvantage and policy measures to aid the economic recovery of the region were heavily influenced by this situational context.

Insights

Key findings from the stakeholder research have been summarised and collated into the following themes.

1. Do we need to be deliberate to capture local benefits from local projects?

Interviewees were asked to share their opinions on whether they believed local benefits could be captured and realised simply by proximity to major projects, or if there needed to be an explicit policy to ensure procurement and delivery of projects delivered benefits to communities in Western Sydney, via the following question:

If we build a lot of new major projects in Western Sydney, will the local employment and other economic/social benefits happen organically, or should the procurement process explicitly target communities of need by geography? Why?

This question elicited a broad range of responses and sentiment from interviewees.

While there was an even split between those who supported the idea of deliberate regionally biased procurement targets and those who believed local benefits would flow organically from local projects, all stakeholders stressed the importance of reporting deliverables against set targets to ensure that the promise of jobs, skills and other benefits from major projects by government and its delivery partners was realised.

"Government does need to be deliberate on the socio-economic factors they are looking to address through procurement. They can't just set targets; they need to be auditing and checking what is delivered against what was promised."

Of the responses in support of a regional focus, most cited the unfolding pandemic lockdown and its economic impact – in particular the flow on impacts of the construction sector shutdown – as exceptional circumstances which could justify a policy measure such as this. Stakeholders generally understood that a Western Sydney economic recovery policy package was on the way and saw

the integration of recovery efforts with the existing infrastructure spend in the region as a logical and likely starting point for government in the region.

"With the development of the Western City, there is a real risk that there will be a sugar hit of activity and only a short-term boom, like what happened with the Sydney Olympics. We saw only a very short time of local economic benefit around Olympic Park, then a long time with not much at all. We need to avoid this for communities in and around WSA and Aerotropolis, who've been promised all of these benefits."

Stakeholders who held the view that no regionally focused policy was necessary pointed out the fact that the – Western Sydney economy – and in particular its labour market and SME sector – were already skewed towards construction and associated supply chain opportunities, therefore would benefit not only from local projects, but also from projects delivered throughout all of Greater Sydney and other proximate regions.

A number of stakeholders that were opposed to regionally focused procurement policy stressed the importance of allowing contractors – both in bid and delivery phase – to innovate and exceed targets that are set for them, and that a mandated target or framework for the region may stifle this. Monetary or contractual incentives for innovation were suggested. It was also pointed out that industry – in particular the tier one contractors – had a sound understanding of their obligation and the associated brand and public relations benefits of delivering local benefits in a region like Western Sydney.

"There needs to be a carrot approach with incentives for exceeding the mandatory. If these incentives are baked into the procurement framework, then the mid-level assessors in government and the bid leads in industry should be building in these social legacy outcomes to the process. Otherwise they are just seen as a compliance burden."



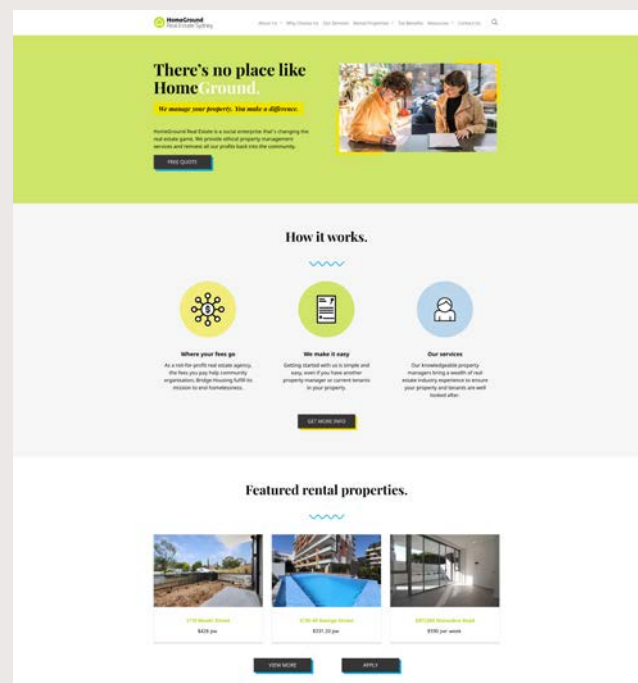
HOUSING FOCUSED SOCIAL ENTERPRISE

HOMEGROUND REAL ESTATE SYDNEY

HomeGround Real Estate Sydney is a not-for-profit real estate agency, part of the emerging *HomeGround network* created by Launch Housing in Melbourne in 2014 that's changing the real estate game. They provide ethical property management services and reinvest all their profits back into the community.

HomeGround Real Estate Sydney is the second *HomeGround* branded agency. It operates under a *HomeGround* licence but are not a franchise – they are an independent social enterprise of *Bridge Housing* (a Tier 1 registered Community Housing Provider) tailored to the Sydney market.

Homeground provides a professional property management service to landlords and tenants.



2. A “Western Sydney First” approach?

Interviewees were prompted to discuss the merit of a procurement policy that specifically discriminated by geography. Interviewers referred to the existing “Regions First” policy of the NSW Government as an example of a similar model that might be considered.

The NSW Government has a Regions First procurement policy. Does it need to implement a Western Sydney First procurement policy to address the distinct divide in economic opportunity between the city’s east and west?

The majority of stakeholders did not believe that a focus on providing economic opportunity to Western Sydney could be seen as equivalent to the approach taken to procurement in regional NSW. Many noted that socio-economic disadvantage and access to opportunity in regional NSW was worse than in Western Sydney, and that drawing parallels in this way would be politically fraught.

For most interviewees, the question prompted further commentary around the need for a central framework for social procurement including mechanisms to measure and track delivery against targets and a set of incentives and/or penalties to ensure procurement targets are effectively mandatory – and not just “nice to have”. If enforced across all government projects in all regions, it was strongly argued that this approach would achieve the same outcomes.

Further, the piecemeal approach to social procurement between projects and agencies could be overcome with the aforementioned centralised NSW social procurement policy. Many stakeholders pointed to the growing ESG reporting movement within the private sector as evidence that a policy of this kind would be well matched with the sustainability obligations that are increasingly guiding corporations.

A majority of stakeholders also nominated Indigenous employment, skills development and the engagement of Indigenous businesses in the supply chain as key opportunities that can and should be embedded

“‘Western Sydney First’ wouldn’t work. Instead, let’s use Western Sydney as an exemplar for a whole of government approach to ESG in procurement.”

Stakeholders again pointed out that while Western Sydney deserves special attention for a range of reasons, in reality it is not a city but a region within Greater Sydney which stands to benefit from projects and opportunities across the metro area.

“There is the risk of treating this as a simple binary proposition, in Western Sydney = good, out of Western Sydney = bad. If we all fall into this trap, the quality and cost of what we want delivered can be compromised.”

A number of stakeholders with industry and agency-side experience in project delivery warned against any such procurement framework being too prescriptive, so as to limit flexibility and innovation – both on the side of government, where local communities will have distinct and different needs, and on the side of industry, where creative and efficient solutions can emerge.

“Whatever you have in place there needs to be flexibility, one size does not fit all.”

One stakeholder pointed out that cultural factors in government typically overshadow existing provisions for flexibility in procurement targets and industry innovation. While there may not be a need to re-write the rules in this space, being more overt through a new framework could help overcome this cultural block.

“Agencies can already give leeway to contractors to innovate on targets and to show how they can do interesting and new things as non-cost elements. In most cases, they just don’t or aren’t interested in what can be done.”

3. Areas of highest priority for social legacy from major project delivery in Western Sydney

Stakeholders were asked to list their top priority issues that could be addressed through better and more targeted social procurement policy in Western Sydney:

What are your top three areas of need for targeted social procurement in Western Sydney?

Almost all answers did not nominate a top three, however all were able to list areas that they believed needed the most attention through social procurement and specifically in Western Sydney.

Breaking the cycle of disadvantage – including intergenerational welfare dependence, long-term unemployment, and youth disengagement – was nominated as the highest-impact focus area but also as the most intractable problem that could be addressed through the sheer volume of public investment in job-generating major projects.

“If you are serious about breaking the cycle, one job lasting five years is better than five jobs lasting one year. Gainful long-term employment is far more impactful than short term.”

A majority of stakeholders also nominated Indigenous employment, skills development and the engagement of Indigenous businesses in the supply chain as key opportunities that can and should be embedded in major project procurement in GWS, being home to the largest Indigenous population in Australia. Many noted that the NSW Government’s Indigenous procurement policy, while still less than one year into its implementation, was a welcome and positive step in social procurement, and should bear lasting positive impact over time.

A smaller number of interviewees pointed out that by effectively creating a new market through the whole-of-government approach, the potential had arisen for abusing the system by a small number of players. While this unintended consequence was hard to police, most accepted that the intent of the policy would be realised in the vast majority of contracting decisions – i.e., the benefits far outweigh the potential downside.

Stakeholders with experience working within and alongside Local Aboriginal Land Councils (LALC) stressed the importance of using LALCs in a consultative capacity

and where possible directly in the procurement process under any NSW Government procurement policy, as they provide a direct channel to Indigenous communities and already operate within a NSW statutory framework. There was untapped potential to establish Indigenous social enterprises leveraging LALC-owned land and property.

Engaging culturally and linguistically diverse (CALD) communities and refugees with procurement work and business opportunities was also commonly nominated as an area of potential in GWS. Many respondents referenced the current (as at July-September 2021) shortcomings in government communication with CALD communities in the region as clear evidence that a different approach was needed to address disengagement.

Connecting CALD and refugee communities with major project-linked economic opportunity, and in particular, providing opportunities via local social enterprises was a recurrent theme in conversations around how infrastructure would play a role in the post-COVID recovery of the region. Social enterprises typically have a more authentic connection to place and community and could communicate more powerfully than government in disadvantaged and disengaged CALD communities, it was commonly argued.

A number of stakeholders also raised the issue of foreign qualifications not being recognised by local industry as an issue in need of attention.

Across all areas of need, the vast majority of interviewees cited the lack of longer-term programs and the tendency to deliver initiatives like skills exchanges, pre-employment programs and the like on a project-by-project basis as a key deficiency in the current social procurement policy settings.

There was strong support, given the wave of investment in GWS over the next decade, for a centralised program to cover multiple projects and ensure there was a pipeline of apprentices, pre-employment program graduates, tertiary and VET students to match the pipeline of projects (with an already growing skills shortage in the sector).

Finally, numerous interviewees pointed out that Transport for NSW and Sydney Metro were the exemplar agencies in NSW in the social procurement space.

“We are certainly not starting from scratch and a lot of good work is already happening. It would be great to get a consistent high standard across all of government though.”

4. Willingness to pay

In gauging stakeholder views on the acceptability of paying a premium for social procurement – in its many forms – when it comes to publicly funded infrastructure, interviewees were asked the following question:

Do you think taxpayers would accept paying more for major projects knowing that the investment was meaningfully addressing socio-economic disadvantage and other areas of need in the community? Why/why not?

The question was designed to elicit responses from a cohort with specific knowledge of government processes, major project delivery and the politics of infrastructure and to test the level of understanding within this cohort on the existing procurement policies and initiatives that are aimed at securing social legacy from public spending on major projects.

Responses were predominantly positive regarding the idea that the community (taxpayers and voters) would be willing to support improved social outcomes from government funded major projects.

Many responses noted that the average person would assume that this was occurring anyway as part of government doing what is expected of it, and that there is a very low level of awareness around the actual cost of project delivery therefore many voters/taxpayers would not have a useful reference point on their willingness to pay.

"Yes, if articulated well, few people would disagree"

"What is the point of government if they are not doing this stuff?"

A considerable number of responses from the stakeholder cohort qualified their positive responses with the following comments:

"Effective communication is key: there can be very little argument about the value in delivering these social benefits, but the value can be lost if the communication of lasting benefits is overshadowed by an upfront transactional cost."

"Some cited recent experience of generating support and understanding of various cost components associated with public finances and strongly recommended clear communication and honest engagement was key in generating support for any policy which added a cost premium to existing taxes or charges."

"If we are trying to secure social legacy from projects in Western Sydney, it is important that a policy designed to do this is applied across all projects/geographies so that there can be no perceived differential treatment of regions and different or new costs imposed on projects in Western Sydney. Any notion of a new tax or levy on Western Sydney projects to deliver social value/social legacy would be politically unpalatable."

"If only Western Sydney pays, then no. The problem is that the community doesn't understand the differentials around what occurs in different parts of Sydney, and they're not prepared to pay more, generally."

"There's also an east versus west debate – the east has the idea that 'we need to have this thing therefore state will fund it'. In the west, it's private developer funded – to get state funding there needs to be mass justification."

A small number of negative responses cited the current economic and political climate as reason for many voters likely rejecting the notion of paying more for anything.

"They want all three – the best infrastructure and services, a budget surplus and everything on time. Given many are doing it so tough, the idea of paying a bit more would be political suicide."



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Consistent themes and ideas throughout interviews

As outlined in the methodology, the executive and senior management cohort interviewed for this project has a depth of direct experience in policymaking, the procurement, delivery and governance of major projects, politics and business. Each interviewee was invited to share their views on social procurement and related policy and political issues. In addition to the set questions, discussions captured a broad range of issues and suggestions.

Notes were taken from each conversation and collated into the following prominent themes, ideas and subject areas which have informed this discussion paper and its key recommendations.

Partnerships

A suggestion coming from stakeholders with extensive direct experience on recent projects was for government to facilitate forums in local communities before contracts are put to market so that it and contractors involved at the EOI stage of a tender could better understand the local challenges and opportunities, and how to make an optimal impact in terms of social legacy. Similarly, there needed to be a handover with outgoing contractors at the end of a job to assess performance, but importantly, to also make sure that lessons learned are taken to the next contract.

"We all want to set these guys up for success. There's no question about that."

Suggestions were also put forward by a number of stakeholders that more can and should be done to engage with schools about opportunities for work – including the range of direct jobs, but also the full scope of work and business opportunities across the entire major project supply chain. This was a role for government in the first instance, but that learnings from any such engagement should be shared with contractors to enhance industry's understanding of local communities and issues and to reduce duplication of these efforts between private and public sectors.

Indigenous Employment

A large number of interviewed stakeholders questioned whether industry, government and the community were doing enough to understand the actual impact and benefit of existing Indigenous employment policies and targets. There was no dispute among stakeholders around the need for deliberate and persistent efforts in this area..

The issues raised related specifically to the short-term nature of many employment opportunities and the lack of visibility of where people securing jobs on projects go to after the job is complete. Some projects and contracts had done better than others in this regard and there was a consensus view that monitoring, reporting and measuring real benefit needed a stronger focus.

Some interviewees pointed to the mining sector as an example of how Indigenous jobs had led to some very lucrative employment opportunities, but over time, a tendency had emerged for a small group of "guns for hire" to take the bulk of opportunities on offer. This outcome, while not entirely negative, was less desirable than sharing the opportunity around a wider group of beneficiaries.

"There are some concerns around Indigenous employment targets, we need them in place of course, but we need to ask are they really leading to the benefits we need to see to properly address disadvantage?"

Reinforcing the need identified throughout this document on better reporting of delivery against targets, some concerns were raised about how and whether contractors were being held to their promised in this area.

"3% procurement rules are terribly implemented; delivery isn't monitored and it's rarely followed through."

On this issue, many stakeholders also raised the importance of allowing for flexibility and innovation from the private sector, especially where proven approaches and concepts could be replicated and scaled appropriately for the Indigenous community in GWS. There was genuine excitement and a high degree of optimism about the opportunity to do new and impactful things in the region.



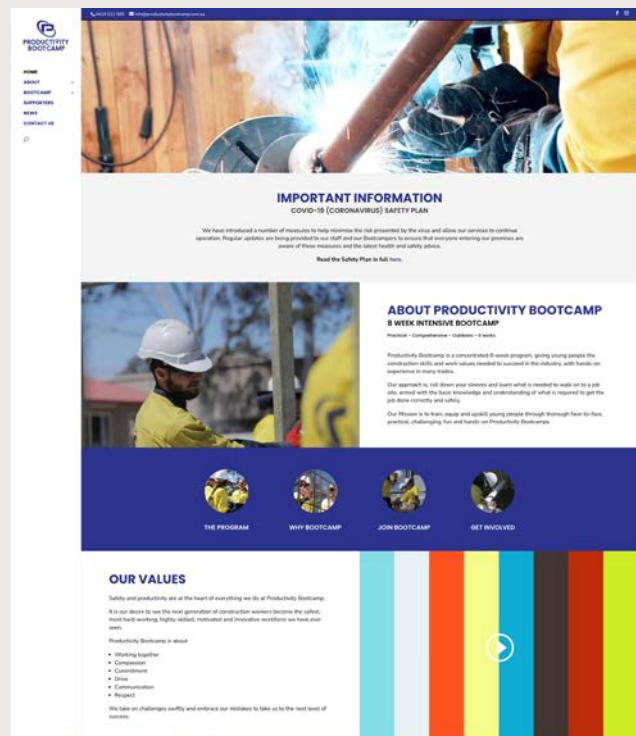
SKILLS AND TRAINING FOCUSED BUSINESSES

PRODUCTIVITY BOOTCAMP

Productivity Bootcamp was founded in 2015 as a construction industry training organisation designed to build better lives for young Australians. They aim to tap into the strengths of the younger generation, while still meeting industry needs. *Productivity Bootcamp* is a concentrated 8-week program, giving young people the construction skills and work values needed to succeed in the industry, with hands-on experience in many trades including formwork, concreting, steel fixing, carpentry, bricklaying and plumbing. The formal training is also an opportunity to help participants develop personal skills and general confidence.

Productivity Bootcamp supports participants to gain an Apprenticeship or Traineeship at the completion of the course.

Productivity bootcamp takes a partnership approach to their work and is supported by the NSW Department of Education, JP Morgan, Lendlease, the Department of Social Services, Business NSW and many other partners.





Centralised skills exchange

As mentioned throughout this chapter, stakeholders strongly supported a coordinated approach to skills development, pre-employment programs and matching candidates to opportunities across projects. While there is certainly scope for this to occur city and state-wide, the concentration of major projects and the need for concerted economic recovery in GWS over the coming years makes the region an ideal location to pilot this approach.

The Barangaroo Skills Exchange and the Westmead Hub were commonly cited as programs that should be replicated and standardised in major projects. Sydney Metro's skills and pre-employment programs were also commonly cited as the exemplar of what a centralised regional program should seek to achieve.

Pre-employment schemes were commonly called out as having the best potential to make the highest social impact, whereas skilled candidates could generally find opportunities that are on offer.

"More focus is needed on the pre-employment. If you are skilled, the contractors will find you."

"We need to focus on the pipeline of job ready candidates. Clontarf and a few other similar programs have done great work in this space."

Establishing a pipeline of employees was a common theme in these discussions and a central, coordinated approach was the answer to securing longer term work. Creating sustainable jobs needed to be the focus, it was strongly suggested.

"We are becoming much more sophisticated in the lifetime cost of procurement. We are more into procurement by service, and by continuity of workforce. Government and industry need to think not just about the building of the project, but the operation and the ongoing work opportunities there."

Cost

The cost of social procurement and any legacy-creating efforts by client or contractor was raised as a critical consideration. Under the current culture of procurement and delivery, extra costs are considered burdensome, and the “on time, on budget” preoccupation at the political level can influence how we consider anything that might cost extra.

Stakeholders emphasised the need to ensure that economies of scale can be achieved so that all the social benefits that can flow from major project procurement can be done cost effectively.

The framework under which project inputs and outputs were measured – the traditional cost-benefit analysis – was fundamental here, and perhaps not fit for purpose if we want to maximise legacy and social value from procurement.

“The Victorian approach is very good, but it can be a bit like social engineering, where you are adding costs and distorting the economics.”

“The main concern is always ‘is it coming under budget?’ Can you embed these things within the budget? If you do it from the beginning, then you won’t blow out the budget later when you add it.”

Management culture

A key challenge raised by a number of interviewees was the inconsistency and separation between the ESG focus of corporate affairs and Executives in the contracting sector, and those responsible for delivering projects both at the bid phase and in delivery. On the government side, this disconnect also exists between Ministers and agency heads who are expected to deliver social good, and the middle-level public servants whose remit – by no fault of their own – is to achieve best value. This organisational culture and disconnect has unfortunately led us to the situation where many social procurement items are viewed as a cost or compliance burden.

“To get to the heart of optimising social procurement, we need to reach the middle-level manager within agencies to overcome entrenched bias... But what’s the risk/reward for them? These people don’t want to have outlier decisions traced back to them... The challenge is middle-out, not bottom up.”

“They have very strict scorecards to make decisions, so we need to influence the scorecard. What is the training or culture that drives these decision makers?”

Being flexible to enable innovation

The support for mandatory aspects of social procurement was near universal in conversations with the stakeholder group, however there was also a very high degree of support for a new policy framework in this space to allow the private sector enough flexibility to exceed targets (with appropriate incentives) and to conceive and propose new ideas that might align with internal capacity or emerging areas of need and opportunity.

There was strong consensus that mandatory aspects should cover skills development, as well as existing mandatory components of tenders around Indigenous and SME supply chain engagement. Beyond this, many suggested there should be leeway for innovation.

“The concept should be ‘what else can a contractor do while it’s onsite in this location’ and then let open the door to their ideas. We have had some great success in piloting some of our own ideas that have had a proven and lasting impact.”

The concept of transferrable credit was also supported. For example, where a target might be difficult to reach, a contractor can opt to donate or invest an equivalent amount in an impactful charity, NGO or social enterprise.

“If you look into the preference for minimal requirements or an optional ‘give-back’, you’ll find there’s probably more interest in give-backs.”

The potential for social impact bonds to be integrated with major project delivery to address some of the more intractable social issues was also suggested by some stakeholders as an area of innovation where industry might seek to pair up private investment with social procurement initiatives.

Clear communication of the narrative

As argued throughout this document, new and bold ideas and actions in social procurement should receive a high degree of community support, which was reinforced by the stakeholder group insights. Communicating a clear narrative around everything that can be delivered through public-funded projects – except the physical infrastructure – is critical in securing community support. Overcoming a fixation on project costs was a challenge for communication that was commonly cited by the group.

“There’s a worrying lack of communication around the benefits... A \$100b pipeline means nothing to people. Speak to them in terms that they’ll understand.”

“Government should be delivering on the community’s priorities, and if government is clear on what its priorities are then the contractors will get on board.”

“If there is willingness to pay, it would require a demonstration of the cost and the impact and support should follow. Communication must be very clear.”

Politics

A challenge that was raised in some conversations related to a generally low level of understanding in the political class around the procurement process. Politicians are typically eager to talk about jobs and other benefits to flow from major projects, but have little involvement post announcement or see little need to ensure promises are followed through.

A renewed focus and new framework for social procurement would undoubtedly provide more good news for politicians to announce, but better engagement with the policy would be important to inform Ministers and MPs and empower them to deliver a clear and realistic narrative to constituents. Cynicism around politically motivated pork barrelling on major projects was high and needs to be overcome through communication.

“Politicians need a better understanding of procurement – we have very few MPs who can have a genuine non-political conversation with the general public.”

“Communities aren’t daft and shouldn’t be underestimated. They can sniff out pork barrelling.”

When it came to a discussion around specific areas to target through social procurement, some stakeholders pointed out that in principle, politicians would always support the idea, but that picking winners would inevitably be divisive as certain constituencies would be prioritised.

“Councillors would agree in principle but then argue about the subgroups – that’s where the division would happen.”

Reporting and tracking

There was unanimous support for stronger and more consistent reporting of delivery against targets, coupled with incentives and/or penalties to encourage compliance and entice exceedance of targets.

Many stakeholders recognised the substantial public relations benefits for both government and industry to go above and beyond on delivery of social legacy items, and that ensuring minimum delivery standards through effective monitoring was the critical foundation to establish in this area.

Industry’s role

A number of stakeholders suggested that the notion of social procurement being a burden is considerably out of step with the emerging culture within many corporations around sustainability and ESG reporting.

“It doesn’t have to be seen as a tax or burden, industry is already leading in a lot of these areas, especially through things like carbon offsets, but increasingly on social sustainability too.”

There was also a widely held view that any government movement in this space would no longer be seen as controversial or revolutionary, because of the shift of the private sector towards the same kind of triple bottom line value focus, again most commonly seen in ESG priorities.

Aside from ESG reporting, which was suggested to be well meaning but often PR-driven, there were also drivers for leadership on sustainability and social value creation in the private sector because it adds meaning and purpose to the work that employees do. One CEO explained that it was becoming almost non-negotiable to do these things to attract and retain the best talent in their organisation.



There was unanimous support for stronger and more consistent reporting of delivery against targets, coupled with incentives and/or penalties to encourage compliance and entice exceedance of targets.

KEY FINDINGS

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KEY FINDINGS

Based on the policy review and themes identified from the qualitative research, we have identified three key findings that have shaped our recommendations.

Government taking a leadership role

Firstly, the NSW Government has a leadership role to play in defining and communicating the socioeconomic priorities of the state. By setting a clear framework and targets, the government can provide the market with certainty, enabling the private sector to respond. With states like Victoria and Queensland continuing to signal and act upon their strong commitment to social procurement, NSW risks slipping further behind. However, on the back of the infrastructure spend commitments and the COVID-19 recovery initiatives, there is an immediate opportunity for NSW to make up for time lost. The key is to ensure the targets are broad enough to provide flexibility in how they are applied and how the market responds through innovation.

The framework needs to be enforced, with rigorous reporting and measurement of social value to ensure what is pledged gets delivered. The Commonwealth must also articulate a social legacy policy as part of its infrastructure partnership funding model with States.

While other State jurisdictions have a more developed social procurement approach, the challenges still exist in the effective implementation of their policies. Ambitious targets are important in shaping the future market and supply chain but targets can only really be effective if they are matched by a mature and responsive supply side.

Addressing intergenerational disadvantage and the role of social enterprise

Social enterprises provide a pathway to employment for people and communities experiencing disadvantage because of the nature of their business model, making decisions that have a social benefit as well as commercial gain. Social enterprise procurement can elevate and deepen the benefits generated by public spending and is a key element to transforming the social procurement agenda.

The community and social enterprise sector of GWS provides meaningful connections to the groups and demographics that government and industry often seek to engage through social procurement, and the culturally diverse or disenfranchised communities whose disengagement with government was exposed during the recent COVID crisis in Western Sydney.

Regional coordination and partnership

Western Sydney is experiencing unprecedented investment with several major projects being delivered over the next 10-15 years. Each developer or contractor is financing their own initiatives to improve the investment in pre-employment, skills and training that is required to improve access to good jobs in the region. Regional leadership and partnerships can deliver a more coordinated approach to support careers in the region by investing in lifelong learning and connecting individuals with opportunities across the region. There is a need to address duplication and inefficiency in this space and an opportunity to maximise social value outputs through economies of scale.

Within this central framework, there is also an enormous opportunity to unlock the value-generating potential of the social enterprise sector across NSW, and especially in Greater Western Sydney



RECOMMENDATIONS

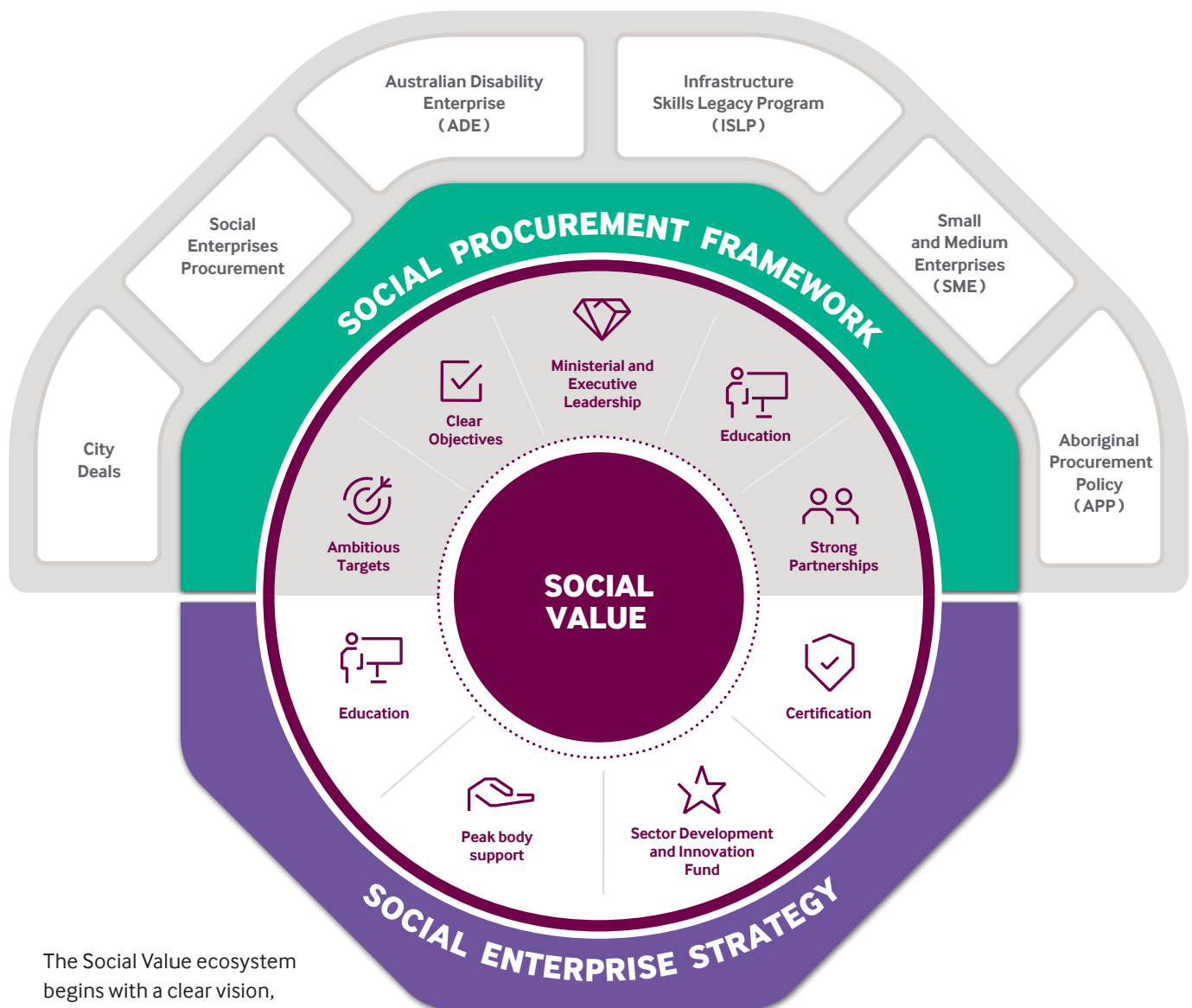


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RECOMMENDATIONS

Strong, decisive action needs to be taken on both the demand and supply side to develop a robust social procurement market and to evolve the social enterprise ecosystem.



The Social Value ecosystem begins with a clear vision, objectives and ambitious targets that stimulate and support both demand and supply



Greater Western Sydney provides a once-in-a-lifetime catalyst for the development, implementation and showcasing of new policies. To this end here are three key recommendations:

1. Develop a NSW Social Procurement Framework
2. Develop a NSW Social Enterprise Strategy
3. Establish a Western Sydney Infrastructure Pathways Program



Develop a NSW Social Procurement Framework

Several building blocks of social procurement exist in NSW, including the Aboriginal Procurement Policy (APP), the ICT SME Procurement commitments (2021) and the Infrastructure Skills Legacy Program (ISLP), as well as policies that focus on procurement of local content and from small and medium enterprises, like the Small and Medium Enterprise Policy and the City Deals. In addition, the NSW Procurement Policy Framework includes references to Australian Disability Enterprises and since 2020 to Social Enterprises.

What is missing is a bold and visionary whole-of-government Social Procurement Framework that brings all these components together, including ambitious targets and reporting mechanisms.

Government is a major procurer, especially when it comes to large infrastructure projects, with significant supply chain opportunities cascading from each procurement.

In addition to achieving value for money through procurement, the NSW Government can make a deeper and wider difference by creating jobs and training opportunities which address long term disadvantage, promoting supplier diversity, supporting and enabling financial and environmental sustainability, and ultimately creating lasting social value.

An overarching policy would bring the existing building blocks together with a clear vision and purpose and enable NSW to augment the value-for-money obtained through its current procurement processes.

Since 2018, the Victorian Social Procurement Framework has provided the Victorian Government with a guiding framework that has seen social procurement fully embedded in the government's procurement processes. A similar approach in NSW would allow the NSW Government to make the most of the unprecedented infrastructure commitments in Greater Western Sydney and ensure the entire supply chain contributes to the creation of social value in the region.

Key components of the Framework should include:

- **Clear objectives**

- a. Create Procurement opportunities for a diverse range of enterprises including but not limited to:
 - i. Aboriginal owned businesses
 - ii. Social enterprises
 - iii. Small to Medium Enterprises
 - iv. Regional Businesses
 - v. Australian Disability Enterprises
 - vi. Women owned enterprises
- b. Create pathways to procurement opportunities for organisations which provide employment and training opportunities for disadvantaged community members including people with disability, migrant communities and refugees, long term unemployed and ex-offenders
- c. Support objectives which create procurement opportunities for organisations which adopt financial and environmentally sustainable practices – in particular those that reduce CO2 emissions or divert waste from landfill.

- **Adoption, monitoring and enforcement of targets**


- a. Develop clear targets across all stated objectives for each expenditure threshold
- b. Identify a clear roadmap to introduce mandatory requirements over the next three years
- c. Develop reporting mechanisms to demonstrate progress against objectives
- d. Balance prescribed mandatory targets with an approach that encourages agencies and suppliers to be creative and go beyond the minimum requirements

- **Communication and education strategy**

- a. Collaborate with all government agencies involved in procurement and associated supply chains
- b. Support agencies seeking to improve their capacity to embed social procurement in their supply chains
- c. Develop frameworks to enable ongoing sector-wide support
- d. Share and celebrate best practice

- **Partnership approach**

- a. Align social procurement initiatives with NSW Office of Social Impact investment (OSII) strategies
- b. Strengthen partnerships with the social procurement sector through Social Traders, Social Enterprise Network of NSW & ACT (SECNA), Supply Nation, and Buyability (NDS).



An overarching policy would bring the existing building blocks together with a clear vision and purpose



Develop a Social Enterprise Strategy

Procurement's primary objective is to secure supply. A critical success factor to ensuring a social procurement framework succeeds is the existence of a strong, sustainable and flourishing social enterprise sector. This requires commitment through the development and adoption of a NSW Social Enterprise Strategy.

Key components of the Strategy should include:

- **Certification**
 - a. Promote and support independent certification of social enterprises through Social Traders, allowing for different levels of certification that acknowledge the diversity of the sector
- **Peak body partnership**
 - a. Support State peak body SECNA to build sector capacity
- **Sector Development and Innovation Fund**
 - a. Establish and fund a Sector Development and Innovation Fund in partnership with Social Traders and SECNA and with the support of the philanthropic and private sectors
- **Communication and education strategy**
 - a. Develop a state-wide communication and education strategy that focuses on both B2B and B2C opportunities and engage with leading and regional associations

Establish a Western Sydney Infrastructure Pathways Program

Based on the strong feedback from this paper's executive stakeholder research, there is an identified need to centralise aspects of procurement that seek to deliver skills development (including apprenticeships and traineeships), cultural and gender diversity targets, pre-employment and local supply chain engagement. A number of factors were cited in the research in support of this approach:

- The scale of current and projected infrastructure spending in GWS
- The demonstrable need to secure these benefits in GWS, particularly after the 2021 recession
- The inefficiency and duplication in the current practice of delivering individual arrangements for the same on a project-by-project basis
- The need for ongoing work and training opportunities for participants in such programs beyond the lifespan of a single project, to foster careers rather than just 'jobs'.

Building on the successful Skills Exchange model, that sees the construction sector, TAFE (and other VET providers) and the government collaborate on skills development outcomes, the Western Sydney Infrastructure Pathways Program (WSIPP) would leverage these parties' collective interest in collaboration, economies of scale, and positive outcomes for the region.

The WSIPP would be funded primarily by government, with contributions made by the companies or consortia delivering projects proportionate to project budgets and commensurate to the current spend on equivalent initiatives in the procurement process. The WSIPP would incorporate a number of aspects of the Western Sydney City Deal (both proposed and currently underway), however it is crucial that it also include projects and communities in those areas of GWS that lie in the Central River City, including Blacktown, Parramatta, Cumberland and Canterbury-Bankstown Councils.

While this program would coordinate aspects of procurement that are often mandatory, it should also provide scope and flexibility for innovative proposals from private sector contractors to deliver equivalent outcomes, and incentives for those who strive and achieve outcomes over and above a mandated target.

The proposed focus areas of the WSIPP are:

- Coordination of community-oriented pre-employment programs, connecting Western Sydney job seekers with opportunities for work and training on major projects;
- Centralisation of Skills Exchanges and similar on the job training initiatives, with industry working in conjunction with TAFE and other vocational education and registered training providers to provide administrative economies of scale and targeted marketing of career pathways to the next generations of apprentices, trainees and tertiary students across the region.
- Providing connections between government, industry and the GWS community to identify areas of need and to assist in engaging diverse, vulnerable and disadvantaged groups with opportunities for work or training and to involve local communities in decision-making on local projects.
- Helping to foster the region's social enterprise 'ecosystem', to build commercial and administrative capacity and to concierge supply chain opportunities.

The WSIPP should be subject to reporting requirements to ensure project-based targets and commitments are delivered, and to evaluate inputs and outputs and ensure value for money – both for taxpayers and contributions made by contractors.

THE TEAM

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THE TEAM

RPS is a leading global professional services firm with experience across 125 countries. We define, design and manage projects that create shared value for a complex, urbanising and resource-scarce world.

With deep expertise in things that matter and are easy to work with, our clients trust and respect us for our creative thinking. We build strong relationships by repeatedly delivering on our promise: making complex easy.

RPS defines, designs and manages Australia Asia Pacific's most successful infrastructure, development and resources projects. From the transport infrastructure that keeps our cities moving, to the masterplanned communities and commercial projects that enhance regional centres, we collaborate with industry, government and the community to take critical projects from ideas to reality.



Vanessa Pilla
National Lead
Social Advisory and Research

Vanessa is a purpose driven leader with a passion for creating social value in cities. She has over 20 years' experience working across public and private sectors in Australia, Malaysia and UK, advising on sustainable urban development and inclusive economies.

She is motivated to understand different stakeholder needs and build a shared vision that requires meaningful partnerships with government, business and the community. She is constantly looking for constructive solutions to influence long lasting change that will lead to improved social and economic outcomes.



Andrea Comastri
Director
Social Advisory and Research

Andrea is a passionate and skilled changemaker with 25 years' experience facilitating change and social impact in communities. He has extensive experience as an executive, director and consultant in the not-for-profit sector, in social enterprises and in corporate philanthropy with a strong focus on social impact, inclusion and sustainability. Focused on social justice and innovation, Andrea has strong expertise in managing stakeholders and working on complex and multi-layered projects. He is experienced in several sectors including disability, homelessness, domestic violence and youth unemployment. Andrea is a strong believer in the transformative power of the social enterprise sector and a staunch supporter of the need to elevate the role of social procurement in Australia to achieve results, facilitate change and create sustainable impact.

About Western Sydney Leadership Dialogue

The Western Sydney Leadership Dialogue is a not-for-profit community initiative leading a national conversation about Greater Western Sydney. The Dialogue facilitates interaction between key opinion leaders, across industry, government, academia, and the community, to inform public policy debate and to advance a Western Sydney regional agenda through research, analysis, advocacy and events.



Christopher Brown AM
Chairman

Christopher is the founding Chair of the not-for-profit regional think tank, the Western Sydney Leadership Dialogue. For 20 years he led two of the nation's most powerful industry peak bodies, Infrastructure Partnerships Australia and Tourism & Transport Forum. He has also sat on the corporate boards of ANZ Stadium, and the Commonwealth's Moorebank Intermodal Co, and served on numerous government boards and taskforces over the past 30 years including National Disability Council, See Australia, Greater Sydney Partnership and the Infrastructure Security Taskforce.



Luke Turner
Director
Policy & Advocacy

Luke is a public policy and communications professional with a range of government and private sector experience and a passion for social justice and equality of opportunity. He leads the Dialogue's Policy team and provides valuable insights on the key trends and issues which impact and shape our region. He has steered the Dialogue's policy agenda on issues ranging from obesity and diabetes to domestic violence and climate change.



Catherine Nguyen
Manager
Policy & Projects

Born and raised in Western Sydney, Catherine is experienced in administration, marketing, and event management. Initially part of the events team, she delivered a range of Dialogue initiatives, including the VIP Boardroom Dinner series and the Dialogue's signature policy Summits. Now, she works across all parts of the business, including within the policy team and with the Dialogue's partners.

THERE IS AN
OPPORTUNITY
TO CREATE DEEP
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Photo credit: Destination NSW

