

April 2018 Monitoring Report

Introduction

The focus of this month's monitoring report is on social procurement. This report complements our recent note on the implications of the reintroduction of the purpose of promoting community well-being to the local government act.

Internationally, social procurement is emerging as one of the prime means of facilitating improved local social and economic outcomes. The decision to devote this month's report to social procurement was triggered by the release by the Victorian State Government of its Social Procurement Framework (see: <http://www.procurement.vic.gov.au/About-the-VGPB/News>). This is a 'whole of government' policy which is intended to apply to all of the state government's purchasing activities.

The rationale

The State Minister of Finance sets out the basic rationale in an introduction to the framework itself:

All Victorians should have the opportunity to participate and contribute to our State's growing economy. Government has an important responsibility to create the right conditions to enable this to happen.

As a major procurer delivering the high-quality public services and infrastructure needed for our thriving population, one of the Government's major priorities is achieving value for money. But this doesn't necessarily mean buying the cheapest option available.

Using its buying power, government can enter into procurement contracts that make a real difference to Victorians. Whether it be creating job opportunities or skills-based training in areas of disadvantage, addressing structural and systemic inequalities, or delivering environmental benefits for local communities, government procurement can add value that all Victorians can share in.

Victoria's Social Procurement Framework clearly defines social and sustainable procurement as a key value-for-money component, and how it can make a difference to our communities. For buyers, the framework provides the guidance to embed social and sustainable procurement into existing processes. And for suppliers, the framework informs them of the methods to deliver Government objectives, while continuing to grow the business by participating in government procurement.

The framework applies to all of Victoria's procurement activity and covers goods, services, and construction. It also builds on and complements other Government initiatives that support Victorians to realise their full potential. This includes Aboriginal businesses, social enterprises, people with disability, women and the long-term unemployed, as well as initiatives that address climate change.

The Victorian Government is not alone - social procurement initiatives are being developed and implemented at the national and international level -

but our leadership is vital in demonstrating the value of putting social and sustainable outcomes at the centre of government procurement activity.

As the Minister responsible for government procurement in Victoria, I'm proud to launch this framework, and look forward to working with departments and agencies to ensure *Victoria's Social Procurement Framework* delivers benefits for all Victorians.

This is the most substantial commitment we have yet seen to the use of social procurement within the public sector. The framework document itself is quite clear both about what it intends to achieve, and how the framework is to be implemented with each of the state's ministries required to develop a social procurement plan.

This development can be seen as reflecting a broader interest in using the resources of the public sector to promote improved community outcomes. It's moving beyond the purely functional, technocratic and least cost approach to much of central government and for that matter local government activity which has characterised the past couple of decades.

Implications for New Zealand

Public sector procurement policies in New Zealand have generally been focused on seeking to procure goods, services and construction at the least possible cost, not always with ideal outcomes (witness what has been happening with the high-rise construction sector).

The change of government is clearly giving rise to a change of emphasis with a shift away from an emphasis on pure efficiency/less cost too much more of a concern with outcomes, including the emphasis on well-being as an important factor within the budget process.

Both the need to improve procurement in the construction sector purely for efficiency reasons, and the new government's different emphasis, suggests that we can expect to see a change of emphasis within procurement towards more of a concern with the quality of the outcomes, as well as the efficiency of the process. The think tank has already encountered an interest in different approaches to procurement in the discussions which have been taking place with the office of the Minister for Regional Development about the use of social procurement within local government.

A further factor which will undoubtedly influence government thinking is the recognition that all too often the least cost approach applied to a specific activity can from a 'whole of government' perspective turn out to be significantly more expensive than emerging alternatives such as social procurement once negative impacts and opportunity costs are taken into account. There is little reason to be pleased with delivering a project under budget if the consequence of doing so is a significant blow out in, for example, social sector expenditure because of the impact on the local labour market or the failure to leverage significant training opportunities for people whose skills need upgrading order to obtain long-term employment

We expect the Victorian experience in particular to influence policy development here simply because of trans-Tasman relationships between labour governments. We also expect to see strong interest within New Zealand in the Victorian experience because of the involvement within the Victorian process of NGOs which are playing a pivotal role in the promotion of social enterprise in

Victoria including already working for the state government on a number of programs. There is a strong trans-Tasman relationship between social enterprise networks.

This suggests we should expect to see the Victorian experience cited as an example which should be followed in New Zealand.

Although the rationale for the adoption of Victoria's social procurement framework is not cast explicitly in terms of well-being, the language is very similar with its emphasis on "the value of putting social and sustainable outcomes at the centre of government procurement activity". New Zealand councils should expect to be presented with arguments that adopting a social procurement approach is consistent with the purpose of promoting community well-being and indeed that the purpose itself may amount to a legal obligation to at least consider social procurement.

Conclusion

The Victorian social procurement initiative is another example of the way in which understandings about the nature of public-sector activity are changing to include much more of a social outcomes emphasis than has been the case with the "efficiency and effectiveness" mantra of recent decades. Local government in New Zealand has both an opportunity to take the initiative in promoting greater adoption of social procurement across the public sector as a whole, and an interest in considering its potential as part of what should be a 'whole of council'/'whole of community' assessment of the implications of restoring the purpose of promoting community well-being.