



23 July 2024

Thank you for the supplementary question from the Standing Committee on Social Issues regarding its inquiry into the procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales. We will respond to each of the two parts of the supplementary question in turn.

Please note that where we have used the term 'agency' for simplicity, we mean 'department, agency or other NSW government entity'

What do you see is the problem with the current understanding of value for money by Government procurement officers?

- The current [Guidance for NSW Government Buyers](#) says that value for money "means looking at the total benefit to the community" but does not point to how social or environmental costs/benefits should be taken into account, give any examples of this, or suggest a weighting for them. It also does not make it clear whether social and environmental costs/benefits that are outside the remit of a particular government agency should or should not be included when calculating value for money (e.g. would avoiding items going to landfill by prioritising reuse be a relevant consideration for the Department of Education?; would job creation for vulnerable groups be relevant to the Department of Health?).
- SECNA members have told us that in their experience working with the NSW Government, value for money is typically treated as purely financial. This was reinforced in feedback from multiple SECNA members who have worked for or supplied to the NSW government, whose experience was largely that "*once capability requirements are ticked off, the Government looks only at the dollar value*". One progressive procurement officer who is known to be very supportive of sustainable and social procurement even told us that "*whilst 'value for money' is one of the assessment criteria used, the outcome of a procurement process is not determined by price alone*" - indicating that while their procurement process takes into account other things, the 'value for money' part is purely financial.

- Where there are experts available to help guide what 'value for money' truly means and how to include social or environmental impacts in considering procurement options, NSW Government agencies tend to have better outcomes. One SECNA member said, for example, that *"When I worked in the Partnerships team at iCare, our procurement decisions were helped by having a Monitoring Evaluation and Learning framework and evaluation experts at hand who appreciated the social value of submissions as much as 'price'."*
- The NSW Government needs to be explicit about the factors it expects to be taken into consideration, and consistently reinforce those in both documents and training if it wants value for money to be understood to mean something else.
- Taking this one step further, it could be helpful for the NSW Government to have a standardised methodology for measuring social and environmental benefits (such as the Australian Social Values Bank, or similar) to allow for comparison of businesses producing different outcomes on a like-for-like basis.
- What the policy framework and guidance documents say, and how this is operationalised can be two different things. It may be useful for the NSW Government to increase (and increase the visibility of) checking how its procurement officers are applying the concept of value for money, educating procurement officers on how to take into account indirect costs/benefits, and sharing case studies across agencies.

Is there potential for a more centralised process to address this issue?

- The feedback we had from SECNA members on this overall was that centralising procurement processes won't necessarily address the issue. The more important and urgent need is to prioritise what matters.

The case for centralisation:

- Centralising might help the NSW Government to take a range of policy objectives into account and avoid agencies only looking at their own objectives.
- It is helpful for policy to be set, guidance offered, case studies circulated and checks done centrally. Perhaps there is scope for greater involvement from a centralised team to educate and advocate for greater value for money (including overall social and environmental costs/benefits).

The case against centralisation:

- SECNA members with experience working for and/or supplying to the NSW Government reported that the more centralised the procurement, the less focus there is on sustainable and social procurement. For example, members that have worked in agencies with statewide procurement teams told us that when those statewide

(centralised) teams were responsible for procurement, they were more likely to take a view that 'value for money' means the cheapest possible price. Sometimes those statewide teams have centralised staff who are responsible for encouraging sustainable and social procurement, but SECNA members have reported that those staff are not given any power to change procurement approaches so there still does not seem to be much weighting given to social or environmental outcomes.

- One SECNA member noted that *"Local procurement officers have the knowledge, connections and can see the value of sustainable and social procurement directly. Centralised procurement officers favour large organisations that are removed from place-based solutions and so lock smaller, more innovative or more impactful organisations out."*
- Local Government procurement officers within NSW have reported to SECNA the benefits they see from social procurement in their local area and that it has made them more likely to prioritise the social and environmental benefits within the value for money equation. This demonstrates a challenge that centralised procurement potentially creates, which is, ensuring that all procurement staff can build the understanding and prioritise social and environmental benefits when they might not be seeing the value first hand in their local community.
- SECNA members conveyed a view that centralised procurement tends to favour large contracts over smaller ones which could be more innovative or impactful. One statewide procurement officer was reported as saying to a social enterprise leader *"we know that social enterprises work; we know that place-based solutions work; we even know that you're good value for money; but I would rather work with one mediocre provider than 100 of you - it's just easier"*.

Overall, we suggest that:

- It would be helpful to have centralised policy settings and experts who can share best practice sustainable and social procurement, increasing the understanding of what true 'value for money' means across all NSW Government agencies. But this should not take away from the value of having distributed procurement officers that understand the goods and services needed and are integrated in the agencies doing the purchasing.
- Having an internal social enterprise champion role within agencies would be a good approach, to raise awareness of social enterprises and the value they provide so when procurement officers are creating and assessing tenders they have that in mind.
- Policy settings that give clear weightings for social and environmental benefits (or, alternatively, a weighting for certified/verified social enterprises, which have already proven their social and/or environmental value) would be helpful centrally to then be applied by all agencies.