New South Wales Government Standing Committee on Social Issues

Inquiry into procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales

QUESTION ON NOTICE
Date of hearing: 4 July 2024

Social Traders Ltd Question

Question 1: Social Traders impact and certified social enterprise spend report.

Transcript page #3

TARA ANDERSON: When we certify social enterprises, we collect 200 data points on them to validate that they are operating as a social enterprise. Part of that involves collecting their impact outcomes—things like the employment outcomes they're creating, the value of community goods and services they're delivering, and the additional costs they're bearing in creating impact outcomes. We translate that, then, into a standard set of impacts that we can measure and report on across the social enterprise community in Australia, which includes the jobs created for disadvantaged cohorts, broken down by types of beneficiaries; the hours of training delivered for those cohorts; value of community goods and services created; tonnes of waste diverted from landfill; and the value donated to charitable causes. We then break down that impact by procurement spend, and we can provide aggregated or individual reporting for government departments or business members, or across Australia nationally, for what impact outcomes are created as a result of procurement spend. We can track dollars spent through our framework into outcomes delivered.

The CHAIR: Is it possible—and I don't know if it is—for you to give us an example on notice? I just think it's easier to get the head around if you can see what that might look like. If that's possible on notice, that would be great.

Answer: Date of response 31 July 2024

Through certification, Social Traders holds the deepest and richest dataset on social enterprise in Australia, collected over seven years and growing daily. Social Traders captures and verifies over 200 datapoints on each social enterprise including demographic, impact costs, impact outcomes, and financial information.

Using this data, Social Traders has built an impact measurement system that enables us to translate social procurement spend into impact outcomes. Currently, it is used by Social Traders 160+ business and government members to track, report and publish the impact of social procurement spend.

The impact data collected through certification is aggregated into six common and comparable impact areas:

- Jobs for people otherwise shut out of work
- Employment-focused training for marginalised people
- Employment (and study) pathway outcomes for marginalised people
- Waste diverted from landfill
- Value of products and services meeting a community need
- Value of donations and partnerships with charity/impact partners

As an example, the New South Wales Government Social Procurement Impact Report[1] illustrates over financial year 2022-2023 NSW Whole of Government reported $35million spent with certified social enterprises.

This converted to:

- 484,000 paid beneficiary employment hours
- 306 full-time equivalent jobs
- 21,000 employment training hours delivered.
- $3.89 million of goods and services delivered.
- 42 tonnes of waste diverted from landfill.
- $12,100 of funds donated to charity.

The standardised six outcomes areas captured for all certified social enterprises means outcomes can be reported and compared for the sector as a whole – for example, showing the total impact of all social impact investment or social procurement over a period of time.

Additionally, Social Traders can identify insights within subsections of the certified social enterprise cohort. For example, social enterprises supporting people with disabilities in New South Wales, or social enterprises diverting waste from landfill in Melbourne, gaining localised and specific insights relevant to particular programs or investments.

Social Traders also utilises the data captured and annually publishes the 'Pace' report (Profile of Australia's Certified Social Enterprises)[2], that includes 37 of the key metrics on the certified social enterprise cohort, showcasing the economic and impact contributions of certified social enterprises for public use and knowledge.

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[1] Appendix 1 Social Traders FY2022-2023 NSW Whole of Government Social Procurement Impact Report

[2] The profile of Australia's certified social enterprises, Social Traders (2023). Available at: https://www.socialtraders.com.au/news/pace23

Question 2: Certified Social Enterprise NSW Government currently procures from.

Transcript page #6

The Hon. DAMIEN TUDEHOPE: In relation to Beehive—or pick anyone you like—tell me about the number of employees that they potentially have and how that has been able to service a particular contract, if you can name a particular contract.

TARA ANDERSON: You mean their ability to supply?

The Hon. DAMIEN TUDEHOPE: A government contract. Have they received the benefit of a government contract?

TARA ANDERSON: Can I take that on notice and give you some examples? I'd love to provide some more detail.

Answer: Date of response 31 July 2024

There are 93 social enterprises in NSW that have benefited from a contract with NSW Government.

As an example, Flourish Australia Community Business, operating out of sites in Marrickville, St Marys, Harris Park and regional NSW, is a Social Traders certified social enterprise that currently contracts to NSW Government.

Flourish Australia offers meaningful employment opportunities for individuals with lived experience of mental health issues through various services, such as scanning and digitisation, contract packaging and mail delivery, commercial grounds and garden maintenance, and commercial cleaning.

In FY23, Flourish's community businesses employed 260 beneficiaries and provided 152,000 hours of employment. Currently 8 NSW departments and agencies procure services from Flourish Australia. By engaging Flourish Australia for services such as scanning and digitisation, these departments directly support the employment and vocational training of individuals with complex mental health issues.

Tim Fong Acting CEO at Flourish Australia said:

"When state government departments procure business services from Flourish Australia, people with complex mental health issues receive meaningful paid work, vocational training, and mental health support to help them achieve their recovery goals. Through partnership with government, we are proud to support people that have experienced hardship and deliver measurable cost

benefits back to the Government by reducing spend on support services and increasing participation in the workforce."

Spinal Cord Injuries Australia (SCIA) is a certified social enterprise with a long-standing procurement relationship with the with NSW Government, particularly Transport for New South Wales (TfNSW).

SCIA delivers a wide range of commercial contracts and services, including telephone market research, data entry, transcription services, call centre support work, and document digitisation. Through these services, SCIA provides people living with disabilities the opportunity to gain valuable work experience in casual, part-time, or full-time employment.

Notably, SCIA has maintained a long-standing relationship with TfNSW through their Crash Coding contract which employs 15 people (12 living with a disability), and their Book-and-Ride accessible taxi booking service, which allows people with a disability the flexibility to work from home while participating in meaningful employment.

The Crash Coding service has been ongoing since 1985, and the book-and-ride service for 4 years. This support and contracts from TfNSW, has enabled SCIA to grow their services and provide more opportunities to those living with disabilities, supporting their employability skills, and fostering their economic independence and social inclusion.

Additional Information:

Social Traders Certification:

Overview

To support a thriving social enterprise sector and facilitate social enterprise procurement or investment, it is crucial to define genuine social enterprises and validate their impact delivery. Social Traders provides Australia's highest certification standard that is specifically tailored to the Australian social enterprise sector and aligns with other international certifications. This certification is essential to protect against social washing by maintaining a rigorous and trustworthy standard.

Social Traders has been certifying social enterprises for seven years and has assessed over 2,500 applications. This extensive experience has enabled us to develop the necessary tools and expertise to handle the diverse range of business and impact models, as well as the varying levels of organisational maturity and complexity.

Rigorous process

To assess whether a business is a social enterprise, the certification team checks that purpose is clearly and consistently articulated in public documents, governing documents, and the way the social enterprise speaks about themselves. Social Traders then validates that they have a sustainable business model, and that there is evidence of significant reinvestment into purpose (such that purpose has primacy over profit), and that impact is being generated.

Social Traders certification has been adapted over seven years to cater to the complexity involved in certifying the social enterprise model. This complexity underscores the importance of an experienced certification team, with deep understanding of the social enterprise model and reviewing applications. Complexities include:

- **Unclear impact model and purpose:** the business lacks a clearly articulated impact model and strategy, or its purpose is not consistently communicated.
- **Financial report issues:** financial reports are not readily available or lack transparency. For instance, audited accounts often do not provide sufficient detail to separate trading revenue from non-trading revenue.
- **Impact data validation:** collecting and validating impact or social cost data can reveal errors or inconsistencies. For example, discrepancies between reported employment hours for beneficiary employees and wage expenses, or reinvestment costs exceeding total expenses on their profit and loss reports.
- **Complex legal structures:** the business has a complex legal structure or is part of a group structure. For example, a business providing support and training to disadvantaged individuals may be part of a group that includes profit-generating companies offering similar services and operating within the same market.
- **Shareholder agreement delays**: awaiting shareholder agreement to embed purpose and dividend clauses into legal documents. Agreement must be confirmed before certification, with changes to be embedded within 12 months. For example, some shareholders may hesitate to prioritise purpose over profit, especially if planning a capital raise. Community banks, which have many shareholders, often seek approval for changes at their Annual General Meeting, following a standard process developed with the Community Bank National Council.

Social Traders certification compared to 'verification'

The newly introduced social enterprise 'verification' is a light-touch assessment of social enterprise status against a minimum set of global standards and is owned overseas by Social Enterprise World Forum. It doesn't include impact checks or data collection for impact reporting.

Social Traders certification is a rigorous and deeper check of social enterprise status including impact outcomes. It's designed specifically for the Australian market and owned and delivered in Australia. It's been trusted by business, government, philanthropy, and the social enterprise sector for seven years.

Social Traders certification is the only mature and established offer in the market, and the only offer that provides:

- Developed infrastructure and systems, continuously improved over seven years of delivery, catering to the complexity of all social enterprise types.
- Owned and delivered in Australia and designed for the Australian market.
- Endorsed and in-use by 600+ social enterprises, 160+ businesses, governments, and philanthropy.
- Quality assured through a risk-based audit framework by EY, and a complaints and review policy and process.
- Capable of managing complaints and appeals and addressing the complexity in certifying all legal structures, group structures, franchise businesses and transitioning businesses.
- Deep data capture including validating impact data (key to the social enterprise model).
- Robust systems designed specifically for the Australian market that protect against social washing and misuse of government funds.
- National centralised certification team for efficient and cost-effective delivery across all jurisdictions.
- Free certification in most of Australia and fee waivers in many other cases.
- One-to-one support for each social enterprise.

Appendix 1: Social Traders sample Social Procurement Impact Report provided to Social Traders members.

NSW Government Social Procurement Impact Report: FY22-23

Spend
- 2021: $21.79M
- 2022: $29.39M
- 2023: $35.07M

Social enterprises
- 2021: 100
- 2022: 84
- 2023: 93

Annual paid beneficiary employment hours
Financial Year 22/23: 484.9K
FY22: 327.0K
FY21: 247.5K

Equivalent to the following FTE
Financial Year 22/23: 306.2
FY22: 217.3
FY21: 162.6

Spend by social enterprise mission focus
- Training and Employment: $28.09M
- Community Services: $6.71M
- Community Funds: $0.27M

Employment training hours delivered
Financial Year 22/23: 21.0K
FY22: 16.5K
FY21: 13.0K

Spend with social enterprise primary beneficiary (top10)
- Other: $8,701,641
- People with disabilities: $6,855,036
- New Migrants & Refugee Communities: $5,055,358
- People with mental illness: $3,065,140
- Aboriginal and Torres Strait Islanders: $2,895,129
- Long Term Unemployed People: $2,772,499
- Marginalised Youth: $1,665,451
- People experiencing & at risk of homelessness: $1,518,789
- Families, children or students: $782,432
- People in a particular vocation or profession: $571,554

Value ($) of Goods/Services delivered
Financial Year 22/23: $3.89M
FY22: $6.71M
FY21: $5.54M

Tonnes of waste diverted from landfill
Financial Year 22/23: 42
FY22: 78
FY21: 120

Social enterprise type
- 94% Not-for-profit
- 6% For-Profit

Social enterprise zone
- 52% Metropolitan
- 48% Regional

Value ($) of funds donated to charity
Financial Year 22/23: $12.1K
FY22: $14.1K
FY21: $8.0K

Spend by social enterprise status
- 89% Certified
- 11% Certification Lapsed
Supplier Status: Certified, Certification Lapsed

Actual spend/social enterprise average
Source: Actual, Average
($0M — $40M scale)

Social enterprise sector averages applied p/$100k
Annual FTE years of work: 0.81   Goods/services: 26.9K   Funds donated: 2.3K
Employment training hours: 403   Tonnes of waste: 155.7

In generating this impact report, Social Traders relies on information provided by social enterprises and buyer members. Whilst Social Traders uses commercially best endeavours to carefully evaluate and verify the information, Social Traders does not warrant or accept any liability in relation to the accuracy, currency and reliability of any impact information provided by the social enterprises and spend data provided by buyer members. It is important to note that where averages of certified social enterprise impacts are used, they are presented as estimates only and they are calculated based on the average across all certified enterprises with the same mission focus. In accordance with data sharing agreements, Social Traders is only permitted to use aggregated data and de-identified information to offer high-level insights into social enterprise impact.
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