

**SENATE STANDING COMMITTEE ON
EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS**

QUESTIONS ON NOTICE

Inquiry into the DEEWR Tender Process to award employment service contracts

EEWR_SIH_W8

Senator Siewert provided in writing.

Question

In evaluating value for money how do you effectively compare a for-profit to one that re-invests surpluses into value added services?

Answer

In the assessment process the Department assessed "value for money" in accordance with the legal requirements of the *Financial Management and Accountability Act 1997* (FMA Act) and regulations, and the policy and principles set out in the Commonwealth Procurement Guidelines (January 2005). The law and policy was given specific effect in the conduct of the evaluation process in the *Request for Tender for Employment Services 2009-12* (RFT).

The Department followed those requirements as they applied in relation to each category of Employment Services in the evaluation and comparative ranking of, and in making final decisions on, each tender submitted. The process was a comprehensive one.

The Commonwealth Procurement Guidelines, which are issued under the FMA Act Regulation 7, identify *value for money* as the overriding principle underpinning Australian Government procurement in agencies subject to the FMA Act. The three supporting principles of *value for money* are:

- encouraging diversity and competition
- efficient, effective and ethical use of resources, and
- accountability and transparency.

In the procurement of Employment Services, where the cost is (largely) fixed and where Tenderers were required to address the needs of the job seeker and demonstrate local strategies to meet the labour requirements of employers, the value for money principles were further supported by:

- quality of services, incorporating demonstrated past performance of each Tenderer of the services or similar services being tendered, in particular, services to highly disadvantaged clients
- local linkages to, and collaboration with, other relevant services, particularly those that meet the vocational and non-vocational needs of highly disadvantaged job seekers
- diversity, including a mix of small, medium and large organisations
- client choice
- appropriate coverage
- meeting the needs of specific client groups
- the relative risk of each proposal, and
- the flexibility to adapt to possible change over the Term of the Contract.

Value for money is the optimum combination of quality of services, price and other factors (including diversity, coverage and meeting the needs of specific client groups) and minimal risk exposure for the Australian Government.

It would not have been permissible, in accordance with Commonwealth procurement law and policy, to base a value for money decision on the for-profit/not-for-profit status of the tendering entity, rather than making decisions based on the best manner in which any tendering entity could demonstrate how they could achieve the policy objectives of the RFT.