

Optimising opportunities for local suppliers

Office of the Chief Advisor – Procurement

Optimising opportunities for local suppliers

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Disclaimer

This document is intended as a guide only for the internal use and benefit of government agencies. It may not be relied on by any other party. It should be read in conjunction with the Queensland Procurement Policy, your agency's procurement policies and procedures, and any other relevant documents.

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Introduction

Every year the Queensland Government spends billions of dollars procuring a wide range of goods and services needed for the delivery of front-line services. In addition to delivering these goods and services, this expenditure can support local jobs and businesses.

The Queensland Government Procurement Strategy has outlined its vision for procurement – *Backing Queensland Jobs* – and the objectives which underpin this vision. This is complemented by a range of provisions within the Queensland Procurement Policy (QPP) which are designed to maximise Queensland supplier access to supply opportunities.

Purpose of this guide

This guide provides practical hints and tips for government buyers to optimise opportunities for Queensland businesses, so that capable and competitive suppliers have full, fair and reasonable opportunity to supply government. This is consistent with clause 2.1 of the QPP.

It is divided into two parts:

- **Part A** provides an overview of the definition of a local supplier within the QPP
- **Part B** identifies ways in which agencies can ensure full, fair and reasonable opportunity for local suppliers during the procurement process.

Guidance to support the Queensland Government Procurement Strategy

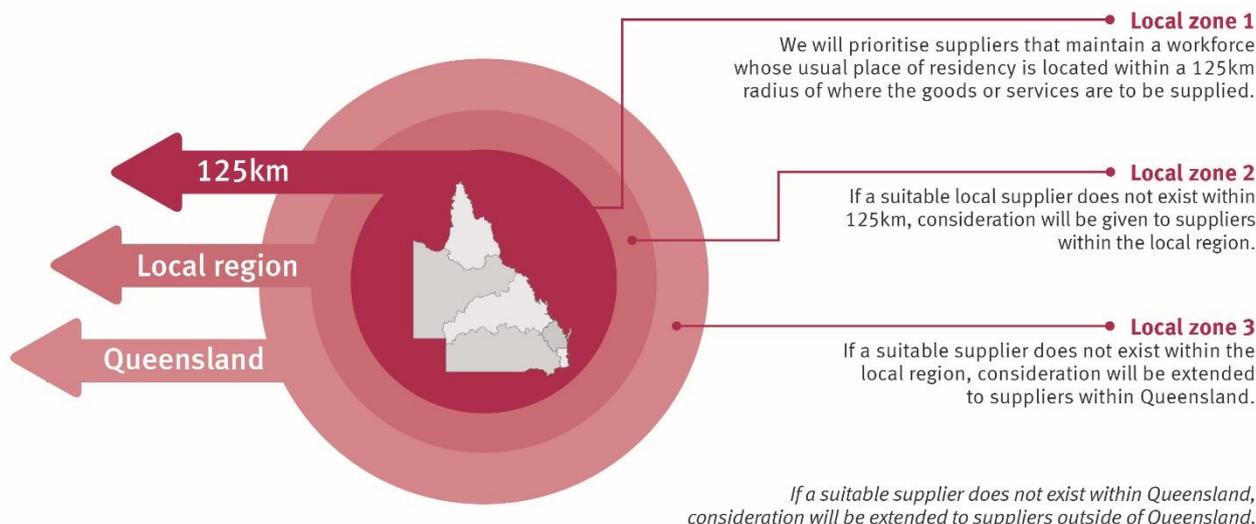
To support the Queensland Government Procurement Strategy – *Backing Queensland Jobs*, the Office of the Chief Advisor – Procurement, has released a range of guidance materials. These guides should be read together. They include:

- Putting Queenslanders first when securing value for money
- Probity and integrity in procurement
- Optimising opportunities for local suppliers
- Local benefits test.

Part A: Definition of a local supplier

The QPP defines a local supplier as:

“a supplier of goods or services that maintains a workforce whose usual place of residency (i.e. where they normally live, sleep and eat) is located within a 125 kilometre (km) radius of where the good or service is to be supplied. If a capable local supplier does not exist within the 125 kilometre radius, the radius should be extended progressively to the local region, then Queensland, then outside of Queensland, until a suitable supplier is identified.”



The key point regarding this definition is that it is a supplier’s workforce, and their usual place of residency, which is the determining factor. Where a supplier is owned or headquartered is irrelevant.

In applying this definition, it is important that a common sense and practical approach is taken. This is particularly the case where the radius is progressively extended to the local region, Queensland and Australia. For example, the radius may be extended:

- to the region where a value for money outcome cannot be secured within the local area (that is, there is no capable local supplier or acceptable value for money outcome)
- to the whole of Queensland where an agency is putting in place a state wide common-use supply arrangement
- for procurement where regional boundaries coincide or are close to the state borders, professional judgement should be used to determine the most suitable region.

Ultimately, when applying the definition, government agencies and government buyers should ensure that the intention of this definition – to support genuinely local workforces – is reflected.

What is a local region?

Many agencies will already have formal regional boundaries in place that can be used to quickly identify the local region where the goods or services are to be supplied.

Agencies without predefined regional boundaries may consider using the Australian Bureau of Statistics *Statistical Areas Level 4* regional classification. More information can be found at www.qgso.qld.gov.au/products/maps/qld-sa4-asgs-2016/index.php.

Part B: How to optimise opportunities for local suppliers

How the approach varies based on value and risk

The approach taken to any procurement will depend on the nature of the procurement at hand. This includes:

- low value and low business risk purchases
- procurement that is assessed as being high value and/or has a high degree of business risk.

Low value and low business risk purchases

In these instances, government buyers should check whether a whole-of-government common-use supply arrangement or agency standing offer arrangement already exists.

A competitive tendering process has already been run to establish these supply arrangements. These may have already identified suppliers who have offices and/or staff based in local areas. Check the [Queensland Contracts Directory](#) or talk to the lead agency category team to find out what is available.

Alternatively, the QPP (clause 5.3) does allow government buyers to depart from using common-use supply arrangements where the good or service is to be supplied in regional and remote Queensland. In this way, an agency can simply obtain the required number of quotes from local suppliers. This approach can also be taken where there is no common-use arrangement for the required good/service.

High value and/or high business risk procurement ('significant procurement')

The remainder of this guide primarily focuses on significant procurement activities. Maximising opportunities for local suppliers in these situations requires a considered approach across the procurement process, from category planning through to the go to market and contract management phases.

Planning

Category planning

The Queensland Government segments its procurement expenditure into six categories. Each of these categories have strategies that target a whole-of-government approach to the buying and management of key areas of expenditure. In addition, the lead agencies for these categories typically set up common-use supply arrangements and have strategies in place to maximise opportunities for local suppliers.

The six categories are:

- Building Construction and Maintenance – led by the Department of Housing and Public Works
- General Goods and Services – led by the Department of Housing and Public Works

- ICT – led by the Department of Housing and Public and Works
- Medical – led by Queensland Health
- Transport Infrastructure and Services – led by the Department of Transport and Main Roads
- Social Services – led by the Department Communities, Disability Services and Seniors.

Forward procurement pipelines

Each lead agency category team is required to coordinate with other relevant budget sector agencies and produce a forward procurement pipeline which shows all key procurement activity that is expected to occur over at least the next 12 months (refer clause 1.6 of the QPP).

Forward planning is especially important for procurement in regional and remote communities. Working across agency boundaries to plan well in advance for work in regional areas, especially building construction and maintenance related activity, can help ensure there is a continual supply of work that enables ongoing, stable employment in regions. It can also help reduce costs for government.

Forward procurement pipelines can also support the Queensland Indigenous (Aboriginal and Torres Strait Islander) Procurement Policy and the identification of opportunities to selectively tender with Aboriginal businesses and Torres Strait Islander businesses. Further information on this policy is available at www.datsip.qld.gov.au.

Suppliers who are interested in supplying to government can use these pipelines to identify future opportunities. These pipelines are available [online](#).

Engage with industry and undertake supply market analysis

Engaging early with industry can result in a better outcome for both government buyers and suppliers. Talking to industry about the objectives being sought in procurement activity, along with the problem to be solved, can help drive innovation, enable collaboration in the solution design, and contribute to improved procurement and service delivery outcomes.

This engagement is also important to ensure that capable suppliers are available, particularly in regional and remote areas, where they may already be committed to other work. This can also be used to smooth peaks and troughs in government work and can mean the difference between being able to have a capable local supply market readily available or not.

This engagement may be supplemented via independent supply market analysis and research. This will help the agency to understand the capability and capacity of the supply market and its ability to respond. Where appropriate, this engagement and research should also extend beyond looking at primary suppliers and consider opportunities to support local businesses within the supply chain (including manufacturers).

Is early market engagement consistent with the QPP and probity?

Provided it is properly conducted early engagement is consistent with the QPP and does not breach probity. For more information on this refer to our guide on [Probity, integrity and accountability in procurement](#).

Things you can do:

- **Consider local benefits**

Government buyers should consider any benefits that suppliers would bring to the local area. The type of benefits a supplier can bring will vary from procurement to procurement. Therefore, agencies will need to identify what benefits are appropriate during the planning stage and incorporate these in subsequent stages of the procurement process. Further guidance on this test is available [online](#).

- **Hold a 'meet the buyer' forum**

Sometimes called 'reverse trade shows', events like this bring government buyers and suppliers together. They allow government to broadly outline its needs and give suppliers an immediate opportunity to ask questions. Suppliers can also use these sessions to make connections with each other, which can facilitate future joint-venture, sub-contracting and collaboration opportunities.

- **Understand and eliminate barriers to participation**

Supply market analysis and industry engagement can also help to identify ways to ensure that suppliers are able to fully participate by eliminating any barriers to participation (e.g. how tenders are packaged and released to the market; excessive tender and insurance requirements). This should also extend to other businesses within the supply chain, including manufacturers.

- **Source information from other agencies**

To provide full, fair and reasonable opportunity to local suppliers to tender for work, agencies should consider the most appropriate method of attracting local suppliers in the planning of the procurement (e.g. industry associations; ICN Gateway; advertising; etc.).

For further advice, consult your nearest Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) office, or the Industry Capability Network (ICN).¹ In particular, DSDMIP and the ICN can provide advice on Queensland manufacturers, which in turn can help support the Queensland Government's [Advanced Manufacturing 10 Year Roadmap and Action Plan](#).

- **Consider supplier development initiatives**

Working with suppliers as part of a development program to improve their performance and capabilities not only has benefits for the procuring agency (improved goods/services, better delivery timeframes), but can also work to build capacity and resilience within the supply market.

¹ <https://icn.org.au/>

- **Departing from common-use supply arrangements**

Agencies can depart from common-use supply arrangements where a good or service is to be supplied to regional or remote Queensland locations. Departures from such arrangements, including strategies to deliver savings and benefits as a result of the agency’s decision, are to form part of the agency’s procurement plan, and will be disclosed and worked through collaboratively with the relevant category council. These departures may also be captured in other planning documents, such as category strategies and plans. Look at how work is packaged

Unbundling packages of work can often provide more opportunities for local businesses and help to support genuine local jobs.

Each procurement is different and government buyers will need to consider the relative benefits and risks associated with unbundling. Government buyers should use their professional judgement when determining if unbundling packages of work is appropriate. Consideration should be given to economies of scale and whether the unbundled packages of work represent value for money. In addition, many larger contracts may include opportunities for local sub-contracting, manufacturing, or other supply chain arrangements.

- **Consider if larger packages of work can be broken down**

While bundling is a valid procurement strategy, it can sometimes act as a barrier to smaller businesses and manufacturers bidding for work. Breaking a procurement into small components can create opportunities for these businesses to tender for work.

- **Use criteria to attract certain types of sub-contractors or other businesses in the supply chain**

By informing the market early that an agency is looking to increase the uptake of local suppliers, larger suppliers might use the opportunity to sub-contract with local suppliers or include local businesses and manufacturers in their supply chain. The agency can indicate the importance of this criteria by making it highly desirable and require the use of local sub-contractors or other suppliers where the capability exists. To do this an agency can apply elements of the local benefits test (even if the procurement is not deemed as significant and requiring the application of the test).

The QPP also requires the use of local contractors and manufacturers in significant Queensland Government infrastructure projects, worth \$100 million and above, wherever possible; along with the increasing opportunities for apprentices and trainees in significant Queensland Government infrastructure projects, worth \$100 million and above.

The QPP also requires that the value of money assessment include application of all of the below best practice principles to major building and construction projects, including civil construction, of \$100 million or more:

- workplace health and safety systems and standards
- commitment to apprentice and trainees
- best practice industrial relations

Manufacturing supports a significant amount of regional employment.¹ Government buyers should consider benefits that a supplier using Queensland manufactured goods in their projects brings to the Queensland economy. Where goods have the potential to be manufactured locally, agencies should incorporate in their procurement process a method to assess the manufacturing location.

¹ Queensland Advanced Manufacturing 10-Year Roadmap and Action Plan, www.dsdmip.qld.gov.au

- history of compliance with procurement, tendering and other government policy.

Further information on the application of these principles is available in the guide [Best practice principles: Quality, safe workplaces](#).

Remember, while the QPP sets particular thresholds this does not prevent agencies from using criteria to improve local opportunities in a procurement or project worth less than \$100 million².

- **Consult key stakeholders**

You should always consult with key internal stakeholders as they can provide useful insights into how the requirements might be structured and bundled. In particular, talking to stakeholders in regional areas can assist in understanding the nature of the supply market in that particular region.

Develop a significant procurement plan

Your pre-tender planning should culminate in the development of a significant procurement plan. This plan should ultimately collate the work undertaken and address, at a minimum:

- an analysis of demand and the supply market
- evaluation planning
- strategies to achieve value for money, including the advancement of economic, environmental and social outcomes
- performance measures and contract management arrangements
- an identification and assessment of risks related to the procurement and risk management strategies. Risk assessments address the value, complexity and sensitivity of a procurement.

Your plan should also address the local benefits test and how it will be applied in your procurement. Further guidance on this test is available [online](#).

Remember to consider opportunities to support innovation and advanced manufacturing

The QPP emphasises the pursuit of innovative supply solutions, either through innovation in the procurement activity itself, or by fostering innovative solutions by suppliers. Agencies undertaking procurement in the technology space should also remember that under the [ICT SME Participation Scheme](#) they can directly engage a small or medium sized enterprise for the provision of solutions, up to the value of \$500,000, that demonstrate value for Queensland in addressing government priorities.

By 2026 Queensland is aiming to be an international market leader in the delivery of advanced manufacturing technologies, systems, products and services that are innovative, sustainable, and embedded in local and global supply chains. Procurement can play its part in this vision by pursuing opportunities to use local manufacturers where appropriate.

² In the case of the 'best practice principles' projects valued at below \$100 million can as be declared as requiring application of the principles. Please refer to the Best practice principles: Quality, safe workplaces guide for further information.

Tender and contracting

Making the tendering process easier

By cutting red tape and streamlining processes, it is easier and less costly for local suppliers to respond to Queensland Government tenders.

Minimising delays in finalising tenders and trying as much as possible to deliver on the timeframes set out in tendering documents should be pursued. Suppliers will use those timeframes to plan for demand and resource accordingly. When timings change, this can impact on the ability of suppliers to respond competitively. Government buyers are encouraged to think carefully about tender timeframes and make it clear when there are dependencies that will impact on timelines. They are also encouraged to work with the respective lead agency category team in publishing forward pipelines of work as a staged approach, keeping the market updated and providing early visibility as things change.

Alert businesses to the resources available to them to prepare

Let prospective suppliers know where they can find resources to assist them to develop their capability and capacity to supply. For example, the Business Queensland website – www.business.qld.gov.au/tendering – can help suppliers understand their capability, and how government tendering works.

Things you can do:

- **Ensure tenders are free of any specifications or requirements that could hinder or rule out opportunities for local workforces**

- **Keep requested documentation to reasonable levels**

Check documentation to ensure that the questions being asked give a fair and reasonable opportunity for all suppliers, including small and medium enterprises (SMEs).

- **Carefully consider terms and conditions, including payment terms**

Consider using shorter payments terms, particularly for SMEs, to assist their business cash flow. SMEs that have successfully bid and won government tenders are dependent on prompt payment for their own supply chain and sub-contractor payments. Such flexibility in payment terms still require government buyers to be diligent and ensure that invoices are checked for accuracy in line with agency financial requirements. Additionally, lowering insurance and indemnity requirements (where appropriate), and looking at reducing the complexity of the terms and conditions used for a lower risk procurement, may help small businesses to participate.

- **Do not 'over specify' your requirement**

Government buyers are strongly encouraged to express procurement objectives as outcomes where possible. 'Over specification' refers to asking for things within your tender which are not genuinely needed. Doing this can add time and cost for suppliers, act as a disincentive and can limit the available market. It can also limit the ability of businesses to provide innovative solutions.

Outcome based procurement enables suppliers to understand what government is trying to achieve and allow them to contribute ideas and solutions for how government might best achieve the objectives, rather than fixing a solution through specification that may be more expensive or not provide the best result.

- **Consider delivery requirements**

If it is a mandatory requirement that all of a product be delivered in-full and upfront, provide a brief description as to why. Think about the supplier's capacity and capability and whether breaking packages of work into stages will offer a better overall result.

- **Past performance and experience**

If the tender includes a requirement to provide details of past performance or experience, be specific about what type of information the supplier is to provide. This will make it easier not only for suppliers to respond but also the evaluation panel to understand and compare past performance and experience. For example, you could ask a supplier to provide details of previous experience in a project of comparable size and complexity and require supporting details on their approach, length of time taken, and the key personnel involved.

Care should be taken to ensure that requirements for information on past performance and experience are not unreasonable and do not act as a barrier to smaller businesses or new entrants to a supply market.

- **Specific brands**

If a specific brand is mandatory, the agency should provide details as to why and potentially test this assumption with industry in the pre-tendering phase. Personal preference and familiarity with a specific brand is not a sufficient reason for nominating a specific brand.

- **Consider your tender timings**

Be mindful about when tenders are released to the market. For example, avoid releasing tenders over the Christmas/New Year period when many small businesses have either reduced staffing or are closed.

Ensuring that at least one regional and one Queensland supplier are invited

The QPP (clause 2.1) requires that at least one regional and one Queensland supplier is invited to quote or tender for every procurement opportunity.

The procurement method and approach to market must therefore align with this requirement, with a common sense and pragmatic approach taken to implementation. For example:

- a procurement approach to market which will invite three suppliers, must ensure that at least one of the suppliers invited is from Queensland, and at least one is regional where possible
- for an open tender procurement, where any supplier can tender, government buyers should still make a reasonable effort to try to notify local suppliers about the available supply opportunity if details of such local suppliers are known.

It is important that a common sense and practical approach is taken when locating regional and Queensland suppliers. Suppliers should be capable and have capacity to deliver the good or service and offer value for money, and appropriate probity of process should be observed. If such suppliers do not exist or are not suitable, the requirement to expand the supplier search should be documented.

Agencies should ensure that procurement procedures are updated to include this requirement.

Evaluation of supplier offers

Value for money is the primary principle for the QPP. In determining value government buyers need to look beyond up-front costs. Further guidance on [value for money](#) is available online.

To maximise opportunities for local suppliers, it is important that tender evaluation processes focus on all relevant factors, meaning that you not only get the best value for money outcome possible, but that the benefits that local suppliers can bring (e.g. lower delivery costs, localised support services) are also fully considered.

Evaluation planning

To help officers quantify the benefit one supplier brings over another, the local benefits criterion can be broken down into sub-criteria to help the evaluation panel score the local benefit in line with the government's priorities. For more information on this refer to our guide on the [local benefits test](#).

Things you can do:

- **Ensure that the value for money assessment includes the following (where appropriate):**
 - whole of life cost
 - disposal costs
 - environmental aspects
 - social benefits to local communities
 - support
 - maintenance cost

- supply chain cost and distance
 - storage
 - delivery
 - warranties.
- **Ensure that any supplier undertakings regarding local area benefits (e.g. use of local sub-contractors, manufacturers) are captured in the resulting contract and/or key performance indicators.**

Make sure you give suppliers feedback

For suppliers, responding to government tenders can be difficult and time consuming. Make sure you provide helpful feedback to unsuccessful suppliers so that the supplier can improve future responses.

Contract management

Effective contract management is integral to realising the value of good planning and procurement. As such, the main focus is to ensure that local benefits recognised in the planning stage, sought through tender, then reflected in the contract, are subsequently delivered during the term of the contract.

At the end of the contract, local engagement performance must be included as part of the overall contract review process. The information gathered as part of the contract review will assist in identifying areas for improvement and will form the basis for the decision as to whether the contract should be renewed or extended.

Before deciding if the contract was a success, and should be renewed or extended, it is important to:

- review performance against the agreed key performance indicators
- determine whether the desired local engagement objectives have been met
- find out whether the local engagement objectives may have changed from the original intent of the strategy
- document findings and lessons learned, as this information will be used in the planning stage for future procurement strategies.

For further guidance on contract management process and how to effectively manage contracts, refer to [Queensland Government Procurement Contract Management Framework](#) and agency specific documentation.