

# Local benefits test

Office of the Chief Advisor – Procurement



**Queensland**  
Government

## **Local benefits test**

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# Local benefits test

## What the Queensland Procurement Policy requires

The Queensland Procurement Policy (QPP) requires agencies to conduct a local benefits test for all significant procurement activities, where a weighting of up to 30 per cent may be applied.

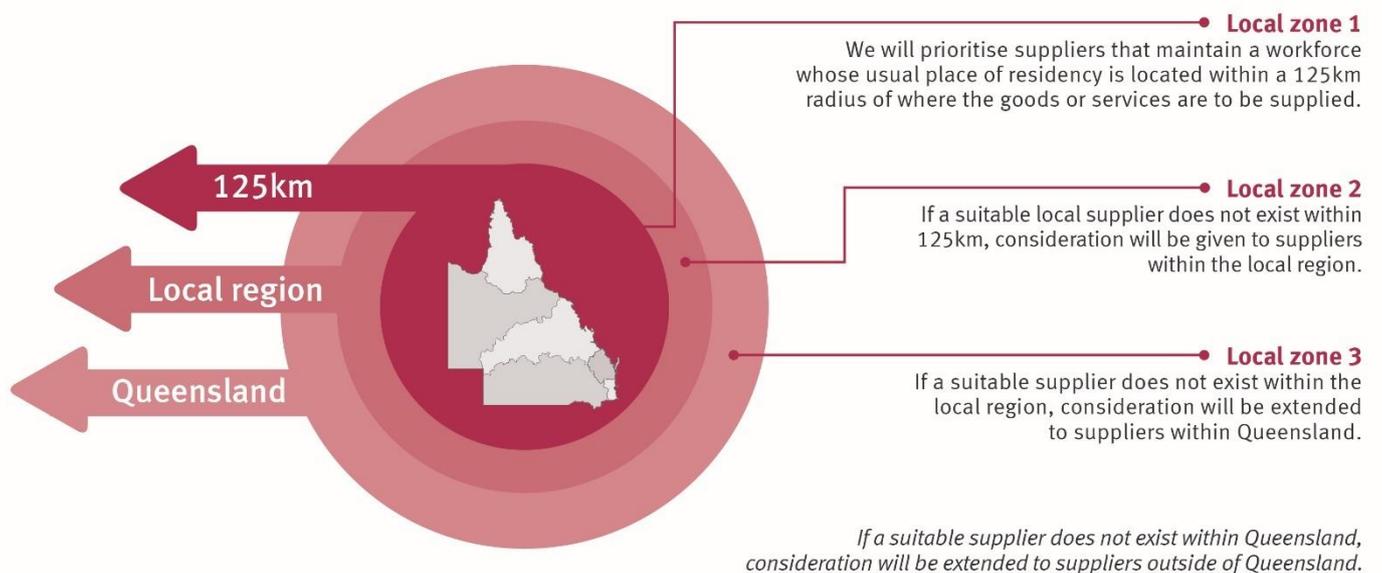
## What is the intent of the local benefits test?

The purpose of the test is to evaluate the benefits that any supplier would bring to the local area. The origin of a supplier is not relevant; what is important is the benefit that a supplier can bring locally. For example, a supplier who is located outside the local area could still provide a benefit by using a local workforce or by using local businesses including manufacturers in the supply chain.

Other elements such as capability, quality and price remain critical – however, factors such as stimulating employment (particularly in regional areas), increasing socioeconomic development within regions (including employment and training) and supporting social objectives may be considered among the decision-making criteria.

Application of the test can be extended to the local region or Queensland. **Figure 1** (below) classifies these areas as local zones 1 to 3.

**Figure 1:** Local zones



### 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-asqs-2016/index.php](http://www.qgso.qld.gov.au/products/maps/qld-sa4-asqs-2016/index.php).

## How a local benefits test can impact the economy

Where effective local procurement spending occurs, it can impact the economy through direct and indirect channels:

- **direct** – by supporting local sustainable businesses that are more likely to survive, expand, innovate, train, invest
- **direct** – by supporting local labour market outcomes (such as training, new opportunities, employment security)
- **direct** – by growing Aboriginal businesses and Torres Strait Islander businesses and making viable pathways to support employment and increase the economic participation of Aboriginal people and Torres Strait Islander people
- **direct and/or indirect** – by supporting local supply chains and the circular flow of money to maximise regional impact (i.e. supply chain benefits)
- **direct and/or indirect** – by supporting local manufacturers, and businesses that source goods manufactured locally
- **indirect** – by supporting sustainable activity in the local economy, which can have broader impacts through more sustainable local industries, where sustainability in one local industry may generate flow-on effects and support sustainability in other local industries
- **indirect** – by supporting community cohesion (e.g. local businesses are encouraged to support local initiatives, thereby stabilising the population base, increasing liveability in regional areas through employment opportunities and creating local leaders).

Through such direct and indirect economic impacts, the application of a local benefits test to government procurement spending can support sustainable economic outcomes in communities.

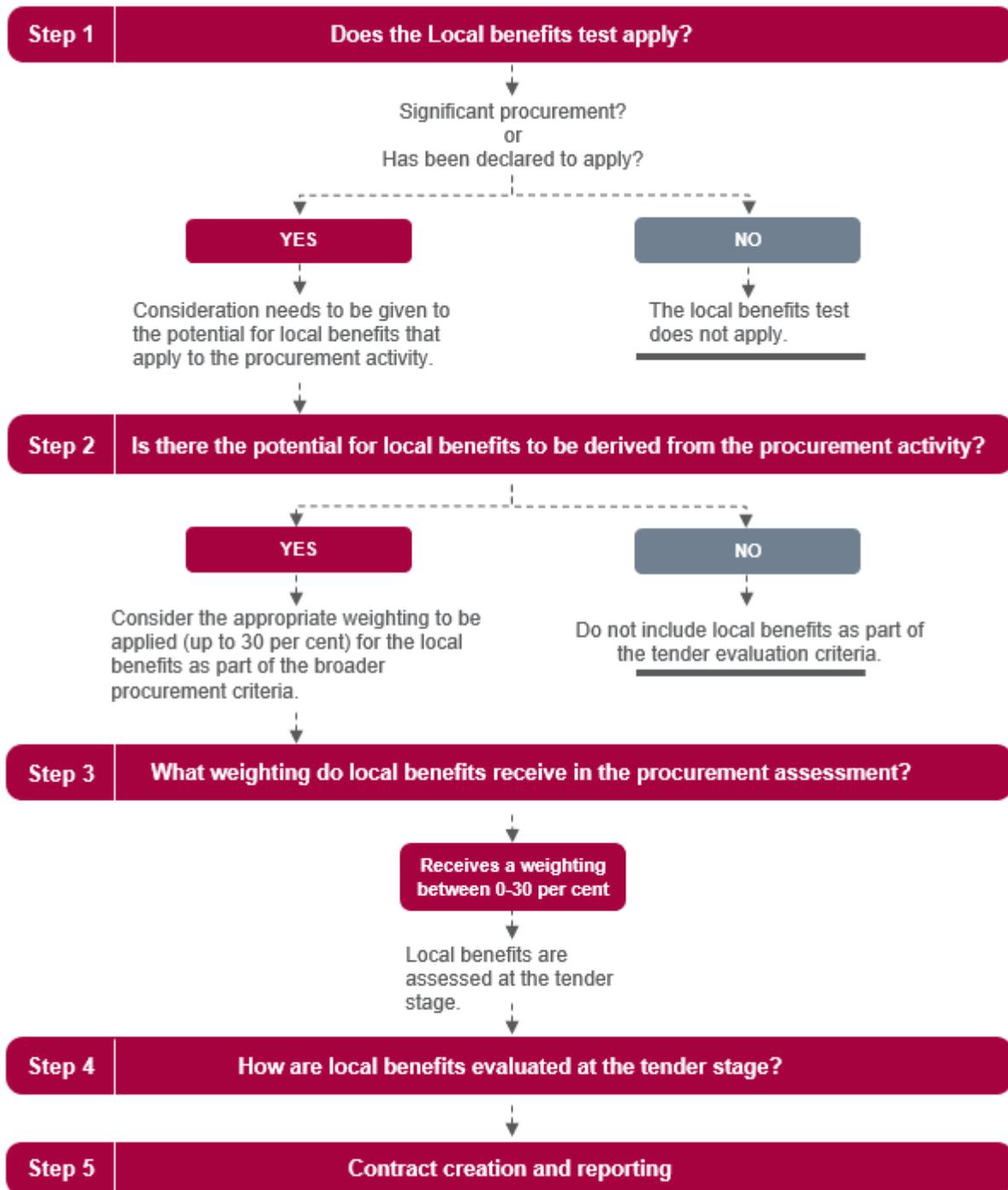
## Local benefits test application

### Local benefits test decision tree

**Figure 2** (next page) presents the decision tree for procurement officers responsible for the implementation of the local benefits test. The decision tree sets out the five steps involved in determining if (and how) the local benefits test applies to the procurement activity.

In applying the decision tree, officers must document the rationale for determining whether and/or how the local benefits test will be applied.

**Figure 2: Local benefits test decision tree**



### Step 1 – Procurement subject to the local benefits test

The local benefits test applies if the procurement activity:

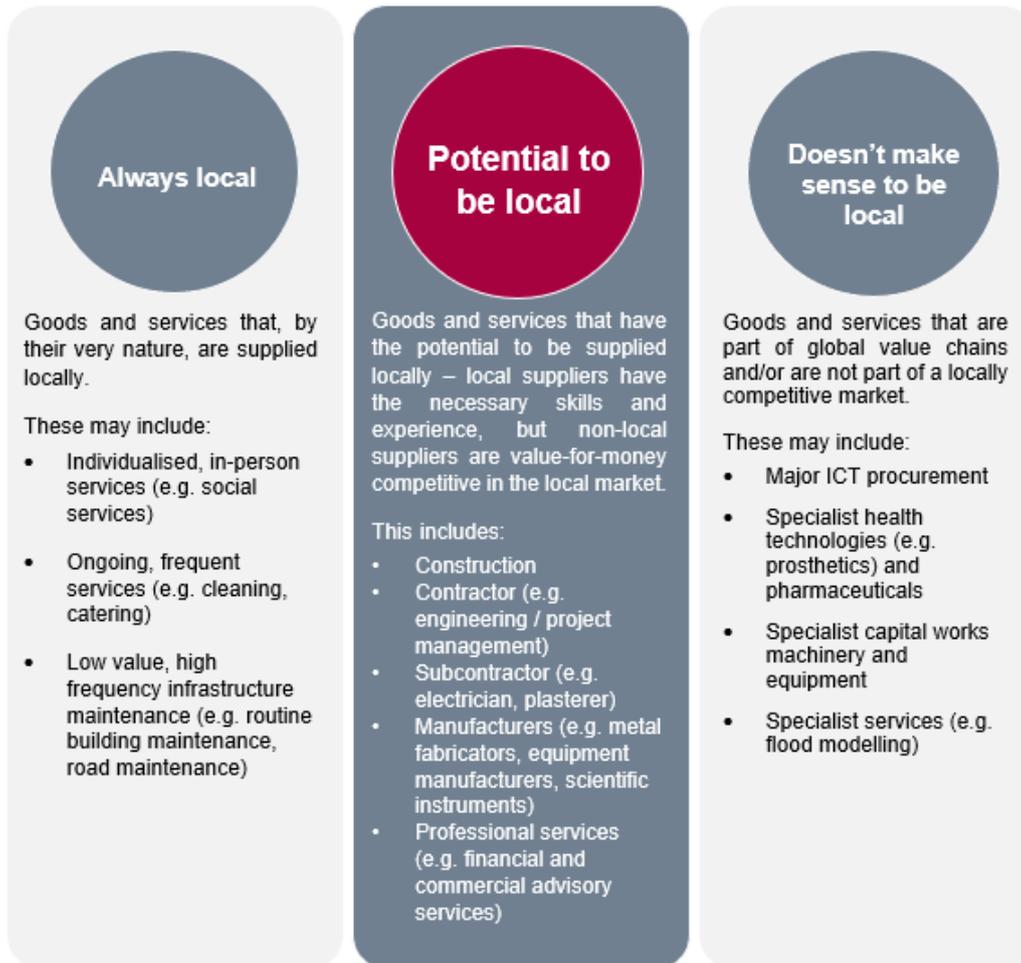
- meets your agency’s definition of a significant procurement; or
- the Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport may, in consultation with the relevant Ministers and the Premier and Minister for Trade, declare a procurement activity as requiring application of the local benefits test.

## Step 2 – Is there the potential for local benefits to be derived from the procurement activity?

For the purpose of the local benefits test, procurement activities can be framed in three broad classifications (as per **Figure 3** below):

- **always local**
- that has the **potential to be local**
- where it **doesn't make sense to be local**.

**Figure 3:** Local benefits test classifications



Procurement activities that have the **potential to be supplied locally** are subject to the local benefits test. This is because the application of a local benefits test is unlikely to change outcomes where procurement is *always local* or *doesn't make sense to be local*.

When identifying procurement activities that have the potential to be delivered locally, a supply chain analysis can help determine if the local goods and services supply chain can deliver what's required – refer to [Procurement guide: Supply market analysis](#) for further information on undertaking this process.

### Tip

As agency spending has the ability to influence local markets, in scenarios where the local market does not currently have capacity to deliver the good or service, a local benefits weighting may be used to encourage the development of an emerging local industry.

## Consider what local benefits apply

The type of local benefits a supplier can bring will vary from procurement to procurement. Therefore, agencies are to identify what local benefits are appropriate during the planning stage and incorporate these into the subsequent stages of the procurement process. To assist in the identification of local benefits, **Table 1** (below) suggests some benefits that have the potential to be delivered locally.

**Table 1:** Possible local benefits

Local benefit	Description
Local jobs	The number of local jobs supported <sup>1</sup> by the procurement activity. Taking into account: <ul style="list-style-type: none"> <li>• where people live and work</li> <li>• permanency of employment</li> <li>• certainty of hours</li> <li>• fair wages and conditions</li> <li>• superannuation and workers compensation</li> <li>• genuine respect for the right of works to collectively bargain.</li> </ul>
Opportunities for local supply chains	Use of local businesses, contractors, manufacturers and supply chain for the supply or manufacture of goods and/or services.
Opportunities for apprentices and trainees	Number of local apprenticeships <sup>2</sup> and traineeships supported by the procurement activity.
Case-by-case benefits	Other benefits identified by an agency. Examples include: <ul style="list-style-type: none"> <li>• the number of local Aboriginal jobs and Torres Strait Islander jobs supported by the procurement activity</li> <li>• use of local Aboriginal businesses and Torres Strait Islander businesses<sup>3</sup>.</li> </ul>

In selecting the type of benefits to be pursued, agencies should be mindful that the information requested from suppliers is not unduly onerous and is proportionate to the scale of the procurement being undertaken.

A local benefit should also be one that can be readily identified, evaluated, measured and reported on by the supplier.

### Selecting local benefits will be highly dependent on the type of goods or services being procured

Agencies are not required to select all the local benefits in **Table 1** for every procurement activity.

Rather the selection of benefits should be on a case-by-case basis. Agencies should also consider the selection of local benefits that are aligned to agency initiatives.

<sup>1</sup> For the purposes of applying the local benefits test a local job means one directly involved in the delivery of the goods and/or services.

<sup>2</sup> See also the Queensland Government Building and Construction Training Policy:

<https://training.qld.gov.au/site/employers/Documents/trainingpolicy/gg-building-construction-training-policy.pdf>

<sup>3</sup> For the purposes of the local benefits test (and as defined by the [Queensland Indigenous \(Aboriginal and Torres Strait Islander\) Procurement Policy \(QIPP\)](#)), an Indigenous business is one that is at least 50 per cent or more owned by an Aboriginal person and/or a Torres Strait Islander person. It may take the form of a company, incorporated association or trust. For clarity, a social enterprise or registered charity may also be an Indigenous business if it is operating a business.

### Step 3 – What weighting do local benefits receive in the procurement assessment?

The QPP allows a weighting of up to 30 per cent to be applied.

**It is not mandatory to apply a 30 per cent weighting**, nor is there any minimum mandatory weighting. Rather, agencies have the flexibility to apply a weighting as appropriate to the procurement at hand.

Agencies will need to determine, as part of the planning process, what weighting is appropriate relative to the other criteria and what will help to ensure a value for money outcome. In determining what weighting applies, an agency should consider (but is not limited to):

- how do the local benefits criteria compare to other key criteria in the tender evaluation (e.g. supplier experience and capability)?
- how significant are the local benefits to the outcome of the procurement activity and local area?
- how are others in this procurement category/category councils approaching the weighting (see for instance clauses 2.3 and 2.5 in the QPP)?

When considering the local benefits and weightings make sure what is being asked of suppliers can be practically evaluated and will not improperly affect the evaluation outcome.

### Step 4 – How are local benefits evaluated at the tender stage?

As the local benefits criteria forms only part of the overall evaluation process, the purpose of this section is to provide a local benefits criteria overview (rather than instruct agencies on how to evaluate). For guidance on evaluation please refer to refer to [Procurement Guidance: Evaluating offers in purchasing](#).

**Table 2** (below) demonstrates how the local benefits can be incorporated with traditional evaluation criteria.

**Table 2:** Example evaluation criteria

Evaluation Criteria	Weighting	Comments
Supplier experience and capability	30%	The supplier will be evaluated on their overall experience and capability in delivering similar past projects.
Project management	10%	The supplier will be evaluated on their processes related to project management and service delivery.
Local benefits	20%	The supplier will be evaluated on: <ul style="list-style-type: none"> <li>• the number of local jobs supported by the procurement activity</li> <li>• use of local contractors, manufacturers and supply chain directly relating to the supply of goods and/or services</li> <li>• the number of local apprentices and trainees supported by the procurement activity</li> <li>• the number of local Aboriginal jobs and Torres Strait Islander jobs supported by the procurement activity.</li> </ul>
Price	40%	The supplier will be evaluated on their offered price.

## Sub-criteria

When applying more than one local benefit (such as the **Table 2**), sub-criteria can be used to reflect the relative importance of each local benefit in the context of the procurement. **Table 3** (below) sets out example local benefits sub-criteria. Sub criteria must always sum to 100 per cent.

**Table 3:** Example local benefits sub-criteria

Local benefit	Benefit weighting	Description
Jobs	60%	The number of local jobs supported by the procurement activity.
Supply chain	20%	Use of local contractors, manufacturers and supply chain directly relating to the supply or manufacture of goods and/or services.
Apprentices and trainees	10%	The number of local apprenticeships and traineeships supported by the procurement activity.
Other benefits	10%	The number of local Aboriginal jobs and Torres Strait Islander jobs supported by the procurement activity.
<b>Sub-criteria Total</b>	<b>100%</b>	

## Information to be supplied in support of the local benefits test criteria

To assist in the identification and evaluation of suppliers local benefits, tender documentation should clearly identify what local benefits are being sought and specify how suppliers should respond to the criteria.

Example questions include:

1. Detail the number of local jobs supported by the procurement activity and proximity from their usual place of residency to the procurement activity. If required, the workforce can be mapped against the local zones (this is demonstrated in the **Appendix 1** case studies).
2. Detail use of local contractors, manufacturers and/or supply chain for the supply or manufacture of goods and/or services and their distance from the procurement activity (this can also be mapped against local zones). If required, the supplier can be asked to detail the proportion of expenditure on inputs to be delivered by local contractors, manufacturers and supply chains.
3. Qualitative evidence (i.e. narrative style) such as how and when they will use the local workforce, local suppliers, local manufacturers, local contractors and local apprentices/trainees.

## Step 5 – Contract creation and reporting

The supplier's local benefit undertakings should be included as part of the resulting contract. Suppliers should be made aware of contract obligations during the tender process.

Use of specific KPIs is recommended, combined with adding local benefits as a standing agenda item for supplier meetings.

In the case of designing local benefits reporting for a contractor<sup>4</sup> and subcontractor(s)<sup>5</sup> arrangement, where practical, reporting should be the responsibility of the contractor. As the burden of extending local benefits reporting to a subcontractor needs to be taken into account, particularly where the subcontractor is a small business.

Each agency is responsible for reporting on local benefits in line with the Performance Management and Reporting Framework (PMRF). For more information refer to your agency's central procurement unit, or the Office of the Chief Advisor – Procurement ([betterprocurement@hpw.qld.gov.au](mailto:betterprocurement@hpw.qld.gov.au)).

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<sup>4</sup> A contractor is the person bound to execute the work under the contract.

<sup>5</sup> A subcontractor is a person engaged by the contractor to perform any part of the work.

## Appendix 1 – Local benefits test case studies

The following five hypothetical case studies illustrate the local benefits test. For simplicity these case studies focus on the local benefits evaluation criteria.

**Evaluation scores used in case studies are for example only. Each agency will use their own scoring and value for money calculation methodologies.**

### Case study one: professional services

Department A sought a strategic partner to assist with conducting a feasibility study for the development of a new dam for mining and agriculture production in a central Queensland region.

#### Step 1 – Does the local benefits test apply?

- Does this procurement activity meet or exceed Department A's Local Benefits threshold for the application of the local benefits test to significant procurement?

➤ **YES**

#### Step 2 – Is there the potential for local benefits to be derived from the procurement activity?

- A market assessment was conducted to understand the capacity and capability of the central Queensland region to deliver the feasibility study.
- The Standing Offer Arrangement identified a selection of engineering firms with local offices.
- The central Queensland region has a long history of irrigated agriculture and, as such, has an established agribusiness supply chain (including agronomists) with expertise in local growing conditions. This was a key component of the feasibility study.

➤ **YES**

#### Step 3 – What weighting do local benefits receive in the procurement assessment?

- The strategic procurement planning team considered local benefits to be an important consideration, but supplier experience and research methodology/approach were of critical importance.
- As the feasibility study is professional services based, employment of local jobs was identified as being a desirable and achievable local benefit.

**Local benefits weighting of 20 per cent was applied:**

Evaluation Criteria	Weighting	Criteria
Supplier experience and capability	30%	Experience and capability in delivering similar past projects.
Research methodology	10%	Processes related to project management and service delivery.
Local benefits	20%	The number of local jobs supported by the procurement activity.
Price	40%	Normalised price score = $\frac{\text{lowest tender price} \times 5}{\text{tender price}}$

#### Step 4 – How are local benefits evaluated at the tender stage?

- Tenderers were required to supply (for the contractor and all subcontractors):
  - The number of local jobs supported by the procurement activity and proximity from their usual place of residency (in kilometres) to the procurement activity.
- Two tenderers were shortlisted for evaluation:
  - Tenderer A was a Queensland engineering firm with a local office, but drew on a wider supply chain
  - Tenderer B was a global engineering firm with a regional office and strong relationships with the local agribusiness supply chain (through recent experience in local water infrastructure).
- To assist the evaluation of local benefits, each tenderers' local benefits response was plotted against the local zones (as introduced in **Figure 1**).
- Using the evaluation plan scoring methodology pre-agreed by evaluation members, Tenderer A achieved the highest local benefits score of 4.

Local benefits criteria	Tenderer A jobs	Evaluated score	Tenderer B jobs	Evaluated score
Jobs 20%	Zone 1: 25 Zone 2: 15 Zone 3: 0 Outside of Qld: 0	4	Zone 1: 10 Zone 2: 27 Zone 3: 2 Outside of Qld: 1	3

- The evaluation summary below incorporates the local benefits scores for each tenderer. In this example Tenderer A also demonstrated greater supplier experience and capability and a more competitive price due to reduced travel costs (as compared to Tenderer B).

Evaluation criteria	Weighting	Tenderer A evaluated score	Tenderer A weighted score	Tenderer B evaluated score	Tenderer B weighted score
<b>Supplier experience and capability</b>	30%	5	150	4	120
<b>Research methodology</b>	10%	4	40	4	40
<b>Local benefits</b>	20%	4	80	3	60
<b>Price</b>	40%	5	200	4	160
<b>Total</b>			470		380

- The evaluation team concluded that Tenderer A demonstrated the greatest value for money and recommend that Tenderer A be awarded the contract.

### Stage 5 – Contract creation and reporting

**Managing contracts and reporting**

- The contract with Tenderer A included a requirement for reporting on the actual local benefits on completion of the project.
- Local benefits data collected was provided to the Department of Housing and Public Works in accordance with the PMRF requirements.

## Case study two: new secondary school campus

Department B sought appropriately qualified suppliers to construct a new secondary school campus in Mackay.

### Step 1 – Does the local benefits test apply?

- Does this procurement activity meet or exceed Department B's threshold for the application of the local benefits test to significant procurement?
- **YES**

### Step 2 – Is there the potential for local benefits to be derived from the procurement activity?

- A market assessment was conducted to understand the capacity and capability of the Mackay supply chain to undertake the required construction activities.
  - A selection of local businesses were identified as having the potential to manage the head contract, and a number of local businesses were identified as being able to take on sub-contracts.
  - Employment, local content, apprenticeships/traineeships and Aboriginal employment and Torres Strait Islander employment were identified as being desirable and achievable local benefits.
- **YES**

### Step 3 – What weighting do local benefits receive in the procurement assessment?

- The new secondary school campus in Mackay is expected to be subject to a high degree of public scrutiny during construction and once operational.
- The strategic procurement team considered local benefits to be an important consideration, but supplier experience and capability, project management expertise were of critical importance.
- Consultation with the Building, Construction and Maintenance Category Council revealed a similar sized project undertaken by another department in Mackay was given a local benefits weighting of 20 per cent.

**Local benefits weighting of 20 per cent was applied:**

Evaluation criteria	Weighting	Criteria
Supplier experience and capability	30%	Experience and capability in delivering similar past projects.
Project management	10%	Processes related to project management and service delivery.
<b>Local benefits</b>	<b>20%</b>	<ul style="list-style-type: none"> <li>The number of local jobs supported by the procurement activity.</li> <li>Use of local contractors, manufacturers and supply chain directly relating to the supply of goods and/or services.</li> <li>The number of local apprentices and trainees supported by the procurement activity.</li> <li>The number of local Aboriginal jobs and Torres Strait Islander jobs supported by the procurement activity.</li> </ul>
Price	40%	Normalised price score = $\frac{\text{lowest tender price} \times 5}{\text{tender price}}$

- As each of the four local benefits criteria carried different priorities for the Department B, the local benefits criteria were broken down into four local benefits sub-criteria:

Local benefits sub-criteria	Benefit weighting
The number of local jobs supported by the procurement activity	50%
Use of local contractors, manufacturers and supply chain directly relating to the supply of goods and/or services	5%
The number of local apprentices and trainees supported by the procurement activity	30%
The number of local Aboriginal jobs and Torres Strait Islander jobs supported by the procurement activity	15%
<b>Sub-criteria total</b>	<b>100%</b>

- The evaluation plan also included:
  - the method of ranking local benefits sub-criteria responses via local zones
  - evaluation scoring methodology (ranking from 1 to 5) for non-price criteria.

#### Step 4 – How are local benefits evaluated at the tender stage?

- Tenderers were required to answer (for the contractor and all subcontractors):

Question	Zones	Answer
<b>Question 1:</b> The number of local jobs supported by the procurement activity and proximity from their usual place of residency to the procurement activity for the following zones	Mackay region (zone 1)	
	The broader North Queensland area (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	
<b>Question 2:</b> The value of the budget to be allocated to local subcontractors for the following zones	Mackay region (zone 1)	
	The broader North Queensland area (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	
<b>Question 3:</b> The number of apprentices and trainees supported by the procurement activity and proximity from their usual place of residency to the procurement activity for the following zones	Mackay region (zone 1)	
	The broader North Queensland area (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	

- Three tenderers were shortlisted on the basis of price, capability, capacity, etc.:
  - Tenderer A was a local contractor with established relationships with local subcontractors (such as electricians, plumbers and plasterers)
  - Tenderer B was a contractor in Collinsville with a strong track record of work in the Mackay area and established relationships with local subcontractors
  - Tenderer C was a head contractor in Cairns with strong business relationships with local building suppliers and manufacturers (such as cement, toilets and carpet).
- Utilising the evaluation plan scoring methodology pre-agreed by evaluation members, the team evaluated the sub-criteria evaluation below. Tender A achieved the highest local benefits score of 4. In this example sub-criteria weighted scores (grey columns) are calculated by multiplying the sub criteria weighting (i.e. Jobs: 50 per cent) by the evaluated score.

Local benefit sub-criteria	Tenderer A	Evaluated score	Weighted score	Tenderer B	Evaluated score	Weighted score	Tenderer C	Evaluated score	Weighted score
Jobs 50%	Zone 1: 95 Zone 2: 25 Zone 3: 20 Outside Qld: 0	5	<b>2.5</b>	Zone 1: 60 Zone 2: 60 Zone 3: 10 Outside Qld: 10	4	<b>2</b>	Zone 1: 40 Zone 2: 100 Zone 3: 0 Outside Qld: 0	4	<b>2</b>
Supply chain (% of total input expenditure) 5%	Zone 1: 70 Zone 2: 0 Zone 3: 10 Outside Qld: 20	3	<b>0.15</b>	Zone 1: 70 Zone 2: 0 Zone 3: 20 Outside Qld: 10	4	<b>0.2</b>	Zone 1: 80 Zone 2: 0 Zone 3: 20 Outside Qld: 0	5	<b>0.25</b>
Apprentices and trainees (number) 30%	Zone 1: 4 Zone 2: 0 Zone 3: 0 Outside Qld: 0	3	<b>0.9</b>	Zone 1: 10 Zone 2: 0 Zone 3: 0 Outside Qld: 0	5	<b>1.5</b>	Zone 1: 0 Zone 2: 0 Zone 3: 0 Outside Qld: 0	0	<b>0</b>
Aboriginal and Torres Strait Islanders employment jobs 15%	Zone 1: 3 Zone 2: 0 Zone 3: 0 Outside Qld: 0	3	<b>0.45</b>	Zone 1: 0 Zone 2: 0 Zone 3: 0 Outside Qld: 0	5	<b>0</b>	Zone 1: 5 Zone 2: 0 Zone 3: 0 Outside Qld: 0	4	<b>0.6</b>
<b>Total evaluated score</b>			<b>4</b>			<b>3.70</b>			<b>2.85</b>

- Tenderer A also scored higher on the other components of the tender evaluation process than Tenderer B and C, coming in at a lower cost and with recent experience on a similar campus in Bundaberg.

**Evaluation summary:**

Evaluation criteria	Weighting	Tenderer A evaluated score	Tenderer A weighted score	Tenderer B evaluated score	Tenderer B weighted score	Tenderer C evaluated score	Tenderer C weighted score
Supplier experience and capability	30%	5	150	4	120	3	90
Project management	10%	4	40	4	40	4	40
Local benefits	20%	4	80	3.70	74	2.85	57
Price	40%	5	200	4.1	164	3.7	148
<b>Total</b>			<b>470</b>		<b>398</b>		<b>335</b>

- The evaluation team concluded that Tenderer A demonstrated the greatest value for money and recommend that Tenderer A be awarded the contract.

### Stage 5 – Contract creation and reporting

**Managing contracts and reporting**

- The contract with Tenderer A included a requirement for reporting on the actual local benefits on completion of the project.
- Local benefits data collected was provided to the Department of Housing and Public Works in accordance with the PMRF requirements.

## Case study three: artificial intelligence (AI) technology solution

Department C sought appropriately qualified suppliers to design an AI solution to doctor-patient interactions in high-stress hospital environments. A similar solution was pioneered in a major US teaching hospital and the leading global technology companies were keen to build on this capability.

### Step 1 – Does the local benefits test apply?

- Does this procurement activity meet or exceed Department C's threshold for the application of the local benefits test to significant procurement?
- **YES**

### Step 2 – Is there the potential for local benefits to be derived from the procurement activity?

- Achieving the best solution is the primary priority. Department C is seeking the most globally advanced AI technology solution and expects this will require a global consortium.
  - Queensland contractors and manufacturers may be involved in the proposed consortia, but are not expected to have the capability or capacity to deliver on the head contract.
- **NO.** However, reference is made to the preference for inclusion of Queensland contractors (including universities) and manufacturers, where appropriate.

### Steps 3 – 5

N/A.

## Case study four: new government building (using Price Quality Method)

Department D sought a contractor for the construction of a new government building in Gympie. The Tender Evaluation Panel used the Price Quality Method (PQM) to achieve value for money in the tender assessment process. PQM guidance can be found here: [Department of Housing and Public Works, Evaluating Tenders](#).

### Step 1 – Does the Local Benefits Test Apply?

- Does this procurement activity meet or exceed Department D's threshold for the application of the local benefits test to significant procurement?

➤ **YES**

### Step 2 – Is there the potential for local benefits to be derived from the procurement activity?

- A market assessment was conducted to understand the capacity and capability of the Gympie supply chain to undertake the project.
- A number of local builders were identified as being of the appropriate scale to undertake the project.

➤ **YES**

### Step 3 – What weighting do local benefits receive in the procurement assessment?

- The Price Quality Method required a variation of the standard local benefits test weighting procedure.
- Local benefits were included in the non-price criteria (alongside other non-price criteria such as organisational performance).
- The project was considered to be standard complexity as the design was well advanced. As such, the non-price criteria were assigned 20 points.
- Of the 20 points, local benefits were assigned a weighting of 12. This reflected the prioritisation of local benefits, particularly given the capacity of the local market to deliver the project and the lower complexity of the design and construction (and therefore lower emphasis on other non-price criteria such as methodology or value adding strategy).
- Employment, apprentices/trainees and local supply chain were identified as being desirable and achievable local benefits.

**Local benefits weighting of 12 points was applied.**

### Step 4 – How are local benefits evaluated at the tender stage?

- Tenderers were required to answer (for the contractor and all subcontractors) for the following zones:

Question	Zones	Answer
<b>Question 1:</b> The number of local jobs supported by the procurement activity and proximity from their usual place of residency to the procurement activity as per the following zones	Gympie (zone 1)	
	The Wide Bay area (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	

<b>Question 2:</b> The value of the budget to be allocated to local subcontractors for the following zones	Gympie (zone 1)	
	The Wide Bay area (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	
<b>Question 3:</b> The number of apprentices and trainees supported by the procurement activity and proximity from their usual place of residency to the procurement activity as per the following zones	Gympie (zone 1)	
	The Wide Bay area (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	

- Given the availability of local expertise three local benefits criteria carried different priorities for Department D, the local benefits criteria were broken down into sub-criteria.
- As each of the four local benefits criteria carried different priorities for the Department D, the local benefits criteria were broken down into four local benefits sub-criteria.

Local benefits sub-criteria	Benefit weighting
The number of local jobs supported by the procurement activity	5%
Use of local contractors, manufacturers and supply chain directly relating to the supply of goods and/or services	75%
The number of local apprentices and trainees supported by the procurement activity	20%
<b>Sub-criteria total</b>	<b>100%</b>

- Two tenderers were pre-qualified:
  - Tenderer A was a local construction company with government experience
  - Tenderer B was a local construction company that did not have government experience.
- Utilising the evaluation plan scoring methodology pre-agreed by evaluation members, the team evaluated the sub-criteria evaluation below. In this example sub-criteria weighted scores (grey columns) are calculated by multiplying the sub criteria weighting (i.e. Jobs – 5 per cent) by the evaluated score.

Local benefit sub-criteria	Tenderer A	Evaluated score	Weighted score	Tenderer B	Evaluated score	Weighted score
Jobs 5%	Zone 1: 25 Zone 2: 10 Zone 3: 0 Outside Qld: 0	5	0.25	Zone 1: 25 Zone 2: 10 Zone 3: 0 Outside Qld: 0	5	0.25
Supply chain (% of total input expenditure) 75%	Zone 1: 40% Zone 2: 50% Zone 3: 10% Outside Qld: 0%	4	3	Zone 1: 30% Zone 2: 40% Zone 3: 30% Outside Qld: 0%	3	2.25
Apprentices and trainees (number) 20%	Zone 1: 4 Zone 2: 0 Zone 3: 0 Outside Qld: 0	4	0.8	Zone 1: 1 Zone 2: 0 Zone 3: 0 Outside Qld: 0	2	0.4
<b>Total evaluated score</b>			<b>4.05</b>			<b>2.9</b>

- The local benefits grades were inputted into the PQM calculations and the amount of quality premium calculated for Tenderer A. Tenderer B had no quality premium as it had the lowest evaluated score.
- Tenderer A recorded the highest score on the non-price criteria, while Tenderer B submitted the lowest price. Overall, the lower price with no quality premium adjustment was insufficient to compensate for the higher quality of Tenderer A's tender and, as such, Tenderer A was the preferred supplier.

### Stage 5 – Contract creation and reporting

#### Managing contracts and reporting

- The contract with Tenderer A included a requirement for reporting on the actual local benefits on completion of the project.
- Local benefits data collected was provided to the Department of Housing and Public Works in accordance with the PMRF requirements.

## Case study five: new emergency services building

Department E sought appropriately qualified suppliers to construct a new emergency services building in Toowoomba.

### Step 1 – Does the Local Benefits Test Apply?

- Does this procurement activity meet or exceed Department E's threshold for the application of the local benefits test to significant procurement?
- **YES**

### Step 2 – Is there the potential for local benefits to be derived from the procurement activity?

- A market assessment was conducted to understand the capacity and capability of the Toowoomba supply chain to undertake the required construction activities.
- A selection of local businesses was identified as having the potential to manage the head contract, and a number of local businesses were identified as being able to take on sub-contracts.
- The use of goods manufactured in Queensland were identified as being desirable and achievable local benefits, with the Toowoomba area having a well-established manufacturing sector.
- Employment, local content, apprenticeships/traineeships and Aboriginal employment and Torres Strait Islander employment were identified as being desirable and achievable local benefits.

➤ **YES**

### Step 3 – What weighting do local benefits receive in the procurement assessment?

- The strategic procurement team considered local benefits to be an important consideration given the potential local benefits identified, such as support for the manufacturing sector, along with local jobs and contractors.
- Consultation with the Building, Construction and Maintenance Category Council revealed a similar sized project undertaken by another department in Toowoomba was given a local benefits weighting of 30 per cent.

**Local benefits weighting of 30 per cent was applied:**

Evaluation criteria	Weighting	Criteria
Supplier experience and capability	20%	Experience and capability in delivering similar past projects.
Project management	10%	Processes related to project management and service delivery.
<b>Local benefits</b>	<b>30%</b>	<ul style="list-style-type: none"> <li>• The number of local jobs supported by the procurement activity.</li> <li>• Use of local contractors.</li> <li>• Use of locally manufactured goods.</li> <li>• The number of local apprentices and trainees supported by the procurement activity.</li> <li>• The number of local Aboriginal jobs and Torres Strait Islander jobs supported by the procurement activity.</li> </ul>
Price	40%	Normalised price score = $\frac{\text{lowest tender price} \times 5}{\text{tender price}}$

- As each of the four local benefits criteria carried different priorities for the Department E, the local benefits criteria were broken down into four local benefits sub-criteria:

Local benefits sub-criteria	Benefit weighting
The number of local jobs supported by the procurement activity	20%
Use of local contractors	20%
Use of goods manufactured locally	40%
The number of local apprentices and trainees supported by the procurement activity	10%
The number of local Aboriginal jobs and Torres Strait Islander jobs supported by the procurement activity	10%
<b>Sub-criteria total</b>	<b>100%</b>

- The evaluation plan also included:
  - the method of ranking local benefits sub-criteria responses via local zones
  - evaluation scoring methodology (ranking from 1 to 5) for non-price criteria.

#### Step 4 – How are local benefits evaluated at the tender stage?

- Tenderers were required to answer (for the contractor and all subcontractors) for the following zones:

Question	Zones	Answer
<b>Question 1:</b> The number of local jobs supported by the procurement activity and proximity from their usual place of residency to the procurement activity for the following zones	Toowoomba region (zone 1)	
	Southern Queensland (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	
<b>Question 2:</b> The value of the budget to be allocated to local subcontractors for the following zones	Toowoomba region (zone 1)	
	Southern Queensland (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	
<b>Question 3:</b> The value of the budget to be allocated to goods manufactured for the following zones	Toowoomba region (zone 1)	
	Southern Queensland (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	

<b>Question 4:</b> The number of apprentices and trainees supported by the procurement activity and proximity from their usual place of residency to the procurement activity for the following zones	Toowoomba region (zone 1)	
	Southern Queensland (zone 2)	
	In Queensland (zone 3)	
	Outside Queensland	

- Three tenderers were shortlisted on the basis of price, capability, capacity, etc.:
  - Tenderer A was a local contractor with established relationships with local subcontractors (such as electricians, plumbers and plasterers)
  - Tenderer B was a contractor in Dalby with a strong track record of work in the Toowoomba area and established relationships with local subcontractors
  - Tenderer C was a head contractor on the Gold Coast has strong business relationships with local building suppliers and manufacturers (such as steel fabrication, cement, hardware etc).
- Utilising the evaluation plan scoring methodology pre-agreed by evaluation members, the team evaluated the sub-criteria evaluation below. Tender C achieved the highest local benefits score of 4.1. In this example sub-criteria weighted scores (grey columns) are calculated by multiplying the sub criteria weighting (i.e. Jobs: 20 per cent) by the evaluated score.

Local benefit sub-criteria	Tender A	Evaluated Score	Weighted Score	Tender B	Evaluated Score	Weighted Score	Tender C	Evaluated Score	Weighted Score
Jobs 20%	Zone 1: 95  Zone 2: 25  Zone 3: 20  Outside Qld: 0	5	1	Zone 1: 60  Zone 2: 60  Zone 3: 10  Outside Qld: 10	4	0.8	Zone 1: 40  Zone 2: 20  Zone 3: 100  Outside Qld: 0	3	0.6
Subcontractors 20%	Zone 1: 70  Zone 2: 0  Zone 3: 10  Outside Qld: 20	4	0.8	Zone 1: 55  Zone 2: 20  Zone 3: 20  Outside Qld: 5	3	0.6	Zone 1: 50  Zone 2: 30  Zone 3: 15  Outside Qld: 5	4	0.8

Manufacture location 40%	Zone 1: 20 Zone 2: 30 Zone 3: 20 Outside Qld: 30	3	1.2	Zone 1: 15 Zone 2: 25 Zone 3: 40 Outside Qld: 20	3	1.2	Zone 1: 25 Zone 2: 55 Zone 3: 15 Outside Qld: 5	5	2
Apprentices and trainees (number) 10%	Zone 1: 6 Zone 2: 0 Zone 3: 0 Outside Qld: 0	5	0.5	Zone 1: 0 Zone 2: 5 Zone 3: 0 Outside Qld: 0	3	0.3	Zone 1: 3 Zone 2: 0 Zone 3: 5 Outside Qld: 0	3	0.3
Aboriginal and Torres Strait Islanders employment jobs 10%	Zone 1: 3 Zone 2: 0 Zone 3: 0 Outside Qld: 0	3	0.3	Zone 1: 1 Zone 2: 2 Zone 3: 0 Outside Qld: 0	2	0.2	Zone 1: 2 Zone 2: 0 Zone 3: 5 Outside Qld: 0	4	0.4
<b>Total evaluated score</b>			<b>3.8</b>			<b>3.1</b>			<b>4.1</b>

- Tenderer C also scored higher on the other components of the tender evaluation process than Tenderer A and B, coming in at a lower cost and with recent experience on a similar building in Ipswich.

#### Evaluation summary:

Evaluation criteria	Weighting	Tenderer A evaluated score	Tenderer A weighted score	Tenderer B evaluated score	Tenderer B weighted score	Tenderer C evaluated score	Tenderer C weighted score
Supplier experience and capability	20%	4	80	4	80	5	100
Project management	10%	4	40	3	30	5	50
Local benefits	30%	3.8	114	3.1	93	4.1	123
Price	40%	4.5	180	3.9	156	5	200
<b>Total</b>			<b>414</b>		<b>359</b>		<b>473</b>

- The evaluation team concluded that Tenderer C demonstrated the greatest value for money and recommend that Tenderer C be awarded the contract.

## Stage 5 – Contract creation and reporting

### Managing contracts and reporting

- The contract with Tenderer C included a requirement for reporting on the actual local benefits on completion of the project.
- Local benefits data collected was provided to the Department of Housing and Public Works in accordance with the PMRF requirements.

## Appendix 2 – FAQ

Question	Answer
What agencies are required to apply the local benefits test?	<p>As per the Queensland Procurement Policy clause 1.1 and 2.1:</p> <ul style="list-style-type: none"> <li>• Budget sector agencies</li> <li>• Statutory bodies</li> <li>• Government-owned corporations</li> <li>• Special purpose vehicles</li> </ul>
What if I am buying off an existing SOA / panel?	Local benefits test applies.
What if I am recalling or establishing a new SOA / panel?	Local benefits test applies.
After requesting quotes, can I exclude or refuse to evaluate a supplier based on their geographical location from the procurement activity?	No, all suppliers are entitled to a full, fair and reasonable opportunity to supply to government. Therefore, all quotes should be evaluated and suppliers should be notified if they are unsuccessful.
What is a local region?	<p>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.</p> <p>Agencies without predefined regional boundaries may consider using the Australian Bureau of Statistics <i>Statistical Areas Level 4</i> regional classification. More information can be found at <a href="http://www.qgso.qld.gov.au/products/maps/qld-sa4-asgs-2016/index.php">www.qgso.qld.gov.au/products/maps/qld-sa4-asgs-2016/index.php</a>.</p>
How does the local benefits test relate to other Queensland Government initiatives, such as the Advanced Manufacturing 10 Year Roadmap and Action Plan?	<p>The local benefits test allows agencies the flexibility to pursue a broad range of local benefits.</p> <p>Agencies should consider Queensland Government initiatives as part of their planning process and incorporate these as part of the test where it makes sense to do so.</p> <p>For example, where the supply market analysis process identifies the potential to support local manufacturing this can be incorporated into the test.</p>

## Appendix 3 – Points of contact

Subject	Contact	Contact details
Market capability analysis including identification of local manufacturers	Industry Capability Network (ICN)	<a href="https://icn.org.au/">https://icn.org.au/</a>
Local benefits test advice	Office of the Chief Advisor – Procurement	<a href="mailto:betterprocurement@hpw.qld.gov.au">betterprocurement@hpw.qld.gov.au</a>
Local benefits reporting	Performance Management and Reporting Framework (PMRF)	<a href="#">Queensland Government Procurement Strategy 2017</a>
Category council specific advice	Relevant point of contact for each of the following category councils: <ul style="list-style-type: none"> <li>• Transport Infrastructure and Services</li> <li>• Building Construction and Maintenance</li> <li>• Medical</li> <li>• Information and Communication Technology</li> <li>• General Goods and Services</li> <li>• Social Services</li> </ul>	