The Northern Territory Government’s

BUY LOCAL PLAN

LOCAL CONTENT, LOCAL BENEFITS
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FOREWORD

This Buy Local Plan is a key component of the Northern Territory Government’s measures to support local Territory businesses. The Plan has been developed following extensive consultation with business and industry.

It is a suite of reform measures that serve to positively strengthen the way that local content and benefits are identified and realised at every stage of the procurement and contract management lifecycle.

As one of the largest buyers of goods, services and works in the Territory, Government has a responsibility to have in place a value-for-money procurement framework that balances its own needs to procure goods and services efficiently and effectively with the needs of industry and the broader community.

The NT Government has delivered more flexible tender release and closing times, more commercial standard conditions of contract and streamlined internal processes that reduce decision-making timeframes.

This Buy Local Plan is a further demonstration of Government’s commitment to being at the forefront of policy and practice that supports local business.

I am proud to introduce the Buy Local Plan to Territory industry and the broader community, as a suite of thorough, complementary measures that will support local business to grow and prosper.

Peter Styles
Minister for Business
OBJECTIVES

The Buy Local Plan is a critical element of the Northern Territory Government’s (NTG) value-for-money procurement framework. The primary objective of the Buy Local Plan is to ensure that the largest possible proportion of every dollar spent by the Northern Territory Government (NTG) is retained within and delivers benefits for the Territory economy and community. With an effective value-for-money procurement framework in place, local content inputs such as employment, industry development, up-skilling, regional and Indigenous development can be converted into tangible, long-lasting local benefits for the Territory. The Buy Local Plan’s key initiatives target every stage of the procurement and contract management lifecycle to deliver these benefits.

There are a broad range of benefits to be realised through the Buy Local Plan. These include the direct, immediate benefits of local content to the goods, services or works delivered under a given contract. This also extends to indirect benefits which may not necessarily be realised during the term of the contract, such as economic stimulation, local industry development and infrastructure development.

Secondary objectives of the Buy Local Plan include:

• Give competitive Territory businesses the opportunity to participate in the future growth of the Territory;
• Improve the way that local content and benefits are recognised, evaluated and realised across the procurement and contract management lifecycle;
• Encourage economic growth in the Territory by supporting local business to innovate, invest, work and grow;
• Align with existing procurement and broader Government reform initiatives such as increasing transparency and cutting red tape; and
• Comply with the Territory’s legal obligations under the Australian Constitution, free trade agreements, competition laws and other relevant national and international instruments.

These objectives are also consistent with the NTG’s Building Northern Territory Industry Participation Policy (BNTIP).
SCOPE

The Buy Local Plan applies to all NTG Agencies conducting procurement activities.

The Buy Local Plan does not apply retrospectively to procurement activities commenced under the previous LDVA framework. However, there are aspects of this Plan that can be readily applied to the management of existing contracts.

OVERVIEW OF THE PLAN

The Buy Local Plan takes a broad view in addressing local benefits end-to-end across the procurement and contract management lifecycle – beginning with business and procurement planning, then progressing into tendering, contract formation, and lastly contract management. Underpinning the Plan’s measures at each of these stages is a focus on procurement capability development, both internal and external to Government, to ensure that new practices are embedded, and new policies effectively applied. Ensuring that local content and benefits are considered and evaluated, with commitments then captured and monitored along the entirety of the lifecycle, is integral to the Plan’s success.

As evidenced by the diagram on the opposite page, the measures of the Buy Local Plan aim to increase local participation in procurement at the lower tier levels, with the focus shifting to increasing local obligations as the value of Government spend increases.

Nine key actions underpin this Plan. They are:

1. Amending NTG policies, procedures and practices to strengthen the consideration of local benefit factors that occurs at Agency planning stage.
2. Introducing a Local Content test into all Government Quotes and Tenders, worth a minimum of 25% in tender evaluations.
3. Improving consistency and quality in the assessment of Local Content during tender evaluations.
4. Enhance the consideration of local benefits across all tender evaluation criteria, not just the standalone Local Content test.
5. Inviting at least one quote from a Territory Enterprise for Tier 1 and 2 procurements.
6. Establishing a Local Benefit Advisory Panel to review local content aspects of tenders estimated to be worth more than $5 million, and provide advice to NTG assessment panels.
7. Amending standard NTG contractual terms and conditions to incorporate the successful tenderer’s local benefit commitments.
8. Establishing a robust contract management framework to improve NTG and supplier relationships and contractual compliance.
9. Focusing on NTG capability development across the end-to-end procurement process, including to industry where relevant.

Under the end-to-end approach taken by the Buy Local Plan, the Agency planning stage is crucial. It is during planning that potential local benefits are best identified, as NTG can then structure its procurement approach accordingly to most effectively utilise local industry, and realise those benefits. These include taking such measures as packaging procurement activities to be more accessible for small business, and encouraging partnering and subcontracting arrangements to utilise a local supply chain. It is also essential during the planning stage to broaden the lines of communication with industry and industry groups such as Industry Capability Network (ICN) – NT. The best source of market knowledge is often direct engagement with industry itself - it is not just about knowing which suppliers to approach.

Under the Buy Local Plan, the Procurement Directions and their supporting documents (templates, guidelines and factsheets) will undergo some changes. Key changes include:

- Strengthening existing requirements for Agencies to consult with ICN-NT for awareness of market capabilities;
- Embedding practices to develop a more comprehensive market awareness amongst NTG procurement staff;
- Ensuring that the results of these market research and consultation activities are robustly justified and recorded;
- Ensuring early identification of local benefit opportunities, and that these are translated into appropriate, relevant tender evaluation questions; and
- Publishing an annual list of Agencies' forecast procurement activities.

Access to an annual forecast of Government procurement activity will provide greater certainty for industry, allowing businesses to invest with more confidence in skills and infrastructure. It is important, however, that industry recognise this forecasting information for what it is and that forecasts are subject to change.

The Territory Government also recognises that strong industry engagement can foster a more collaborative approach to procurement planning, leading to a better outcome for both NTG and businesses. Equipping NTG staff with the skills to undertake this dialogue with industry will form a key focus of the capability development also occurring under the Buy Local Plan.
2. **INTRODUCING A LOCAL CONTENT TEST INTO ALL GOVERNMENT QUOTES AND TENDERS, WORTH A MINIMUM OF 25% IN TENDER EVALUATIONS.**

Under the Buy Local Plan, the standalone LDVA tender assessment criteria is replaced by the Local Content test. Agencies must allocate a minimum weighting of 25% to the Local Content test criteria (increased from 20% under the previous LDVA framework).

A key focus of the test is to ask more objective, clearer local content questions in tender documents, rather than subjective or open-ended questions. Objective questions are simpler for industry to respond to, and simpler for evaluators to assess relative to other responses. This will lead to more consistency of outcomes for industry.

Using the tenderer’s proposed local content as an input, the test seeks to determine the resulting local benefits that will be provided to the Territory economy and community if the tenderer is awarded the contract. Benefits may be directly related to the contract (such as the benefit of the company’s local knowledge, retaining jobs and providing training opportunities), but there can also be indirect, flow-on benefits for the community (such as economic stimulation and broader community activity) including benefits that outlast completion of the contract.

A model Local Content test will be produced and made available to all Agencies, with the expectation that Agencies tailor this as appropriate for their own activity. While the Local Content test assessment criteria will vary depending on the nature of the procurement, typically it will include:

- Employment;
- Up-skilling (including apprenticeships, formal and informal training);
- Local industry participation (as contractors and part of the supply chain);
- Local industry development initiatives;
- Indigenous development initiatives; and
- Regional development initiatives.
3. IMPROVING CONSISTENCY AND QUALITY IN THE ASSESSMENT OF LOCAL CONTENT DURING TENDER EVALUATIONS.

Under the Buy Local Plan's Local Content assessment criteria, a Tenderer’s score will be determined by both the potential benefits available, and NTG's degree of confidence, based on the information provided, that the tenderer can actually deliver those benefits. This ensures that assessors strike a balance between what a tenderer says they are going to do, but whether or not (based on various factors including their demonstrated commitment to delivering local benefits) NTG is confident they will actually perform. High marks on the Local Content test will be awarded to responses where:

- Suppliers have demonstrated a long-standing commitment to delivering local benefits;
- Proposed local benefits in tender responses are clear and significant; and
- The evaluation panel has a high degree of confidence in the supplier’s ability to deliver them.

The primary goal of any NTG procurement activity is to achieve the best value for money outcome. Value for money does not just entail the lowest price, but broader considerations such as whole-of-life costs, support capabilities, past performance, commercial risk and local factors. NTG's assessment of the Local Content criteria – and indeed all criteria – occurs with the overarching goal of achieving best value for money.

4. ENHANCE THE CONSIDERATION OF LOCAL BENEFITS ACROSS ALL TENDER EVALUATION CRITERIA, NOT JUST THE STANDALONE LOCAL CONTENT TEST.

Under the Buy Local Plan, Agencies are encouraged to consider local benefit opportunities that may be relevant within other assessment criteria, and ask corresponding questions in the tender. This gives tenderers more opportunities to demonstrate the benefits of their "localness". As these questions are asked and assessed within another criteria, they are in effect over and above the Local Content test's 25% weighting.

The Buy Local Plan recognises that local benefits can often not be assessed in isolation. Rather, local benefits such as knowledge of environmental and market conditions unique to the Territory and proximity of supply chain are best considered under other sections of the tender relating to, for example, capacity and timeliness.

While these other (or dispersed) local benefit questions will vary depending on the nature of the procurement, such as:

- Past Performance e.g.: an organisation's track record of enhancing local economic and community outcomes through its delivery of similar contracts;
- Capacity e.g.: a tenderer’s use of local knowledge (technical, environmental, geographical, cultural and other) to ensure successful contract delivery;
- Timeliness e.g.: proximity and responsiveness of supply chain; and
- Innovation e.g.: development of any new products, business models or other capabilities within the NT as a result of the contract.
5. Inviting at least one quote from a Territory Enterprise for Tier 1 and 2 procurements.

Under the NTG procurement framework, Tier 1 and 2 procurements are able to be conducted through a simplified quotation process, rather than through a public tender process. As a result, local businesses are often unaware of the opportunities that may be present at these levels. The Buy Local Plan addresses this by requiring that, for all Tier 1 and 2 procurements, Agencies invite at least one quote from a Territory Enterprise.

A Territory Enterprise is an enterprise operating in the Northern Territory, with a significant permanent presence in the NT and employing NT residents.

Whether or not an entity is a Territory Enterprise is not a one-time “accreditation”, but rather is considered by the NTG procurement team each time they go to market.

Territory Enterprises must satisfy all three elements of the definition:

- “Operating in the Northern Territory” – the enterprise is currently engaged in productive activities (i.e. production of goods or delivery of services) within the NT;
- “Significant permanent presence” – the enterprise maintains an office, manufacturing facilities or other permanent base within the NT; and
- “Employing NT residents” – the enterprise employs Territorians. An enterprise which relies exclusively on transient, interstate/international labour or a fly-in, fly-out (FIFO) workforce will not satisfy this element.

Whether or not an entity is deemed a Territory Enterprise is for procurement purposes only directly relevant at the point of determining who receives an invitation to quote. Being a Territory Enterprise alone may allow a business to tender for work, but to successfully win work, the business must still put their best case forward in their response so as to demonstrate the value they offer. It is in business’ best interests to ensure they are registered with ICN-NT, their profile is thorough and up-to-date, and there is sufficient information contained in other public sources (for example, their website), to inform NTG and the broader market about the business and its capabilities.

Government will also use Territory Enterprise to track and monitor the level of work awarded to local businesses.
6. ESTABLISHING A LOCAL BENEFIT ADVISORY PANEL TO REVIEW LOCAL CONTENT ASPECTS OF TENDERS ESTIMATED TO BE WORTH MORE THAN $5 MILLION, AND PROVIDE ADVICE TO NTG ASSESSMENT PANELS.

For procurements estimated to be worth more than $5 million Local Content test responses will be reviewed by the Local Benefit Advisory Panel (LBAP). The LBAP is comprised of a standing panel of Territorians, with a long-standing commitment to the Territory, as well as knowledge and experience across a variety of industries. It has been selected to achieve the greatest possible representation across all regions of the Territory.

The Panel will be appointed in groups of three to review and advise on these high-value tenders, as and when they are released. There will be robust conflict management, confidentiality and code of conduct procedures in place to ensure that the highest standards of probity are maintained. The LBAP will provide its advice on the local content and local benefits of each tender submission to the evaluation team. It is important to note that this advice, whilst considered by the evaluation team, is not binding. Agency assessment teams must still perform their own evaluation of the complete tender, and remain fully accountable for their evaluation recommendation. The Agency delegate, in turn, is responsible for the procurement decision, based on the recommendation of the evaluation team.

7. AMENDING STANDARD NTG CONTRACTUAL TERMS AND CONDITIONS TO INCORPORATE THE SUCCESSFUL TENDERER’S LOCAL CONTENT COMMITMENTS.

Under the Buy Local Plan, a tenderer’s local content commitments and undertakings specific to the contract will be incorporated into the contract as a legally binding commitment. This includes names of local subcontractors and suppliers that will be used, employment or training targets, and other local development commitments included in a tender response. This measure addresses, for example, the situation where a local subcontractor is included in a tender response (and assessed favourably on that basis), but is then replaced with a cheaper, interstate option after contract award.

NTG understands that circumstances may change during the course of a contract which are genuinely unforeseen, outside a contractor’s control and alter the local content makeup of a contract. NTG’s approach to enforcing these clauses will therefore be pragmatic and reasonable – businesses will not be held in breach for changes outside their control, however they will be expected to advise NTG of such changes, and work collaboratively with Government to ensure that local content is maintained to optimum levels throughout the contract duration.
8. ESTABLISHING A ROBUST CONTRACT MANAGEMENT FRAMEWORK TO IMPROVE NTG AND SUPPLIER RELATIONSHIPS AND CONTRACTUAL COMPLIANCE.

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

The current approach to contract management across NTG varies greatly between Agencies. The Buy Local Plan will develop a standardised contract management framework, to be used as a model by Agencies in their contract management activities. The purpose of a contract management framework is to provide a clear, uniform approach to managing and administering contracts for goods and services. Whilst the intent of this measure is specifically targeted at managing local content obligations throughout the contract term, it will also have broader impact by allowing more accurate management of other contractual obligations, and the overall relationship between Government and its suppliers.

Any contract management framework adopted by NT Government needs to be proportionately relative to the value, complexity and significance of the contract. By taking this approach of understanding and applying contract management effort where it is most needed, efficiencies are achieved and the overall procurement contract management life cycle benefits.

9. FOCUSING ON CAPABILITY DEVELOPMENT ACROSS THE END-TO-END PROCUREMENT AND CONTRACT MANAGEMENT LIFECYCLE, INCLUDING INDUSTRY WHERE APPROPRIATE.

Capability underpins good procurement and contract management, both in general and for local content considerations especially. The various stage-specific measures in the Buy Local Plan are supplemented by an overarching focus on capability development, to ensure that the changes to policy and practice introduced by the Plan are entrenched and NTG continues its ongoing program of professionalising its procurement capability. This includes:

- Developing a whole-of-Government procurement capability strategy, to identify capability requirements across Agencies and determine an up-skilling approach;
- Clear delineation of roles and accountabilities by all those involved in the procurement process; and
- Focused training for procurement practitioners on key areas along the procurement and contract management lifecycle that influence local benefit outcomes.

The Plan also includes measures to improve industry knowledge and capability in tendering to NTG, and specifically in demonstrating their local content and local benefits. The Plan will target industry through a variety of avenues, such as roadshows and through the ‘Tendering Essentials’ courses run by Business NT.