

LOCAL JOBS FIRST POLICY
Under the *Local Jobs First Act 2003*
Updated May 2020

LOCAL JOBS FIRST

VICTORIA
State
Government

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1 Overview

The Victorian Government is committed to putting local businesses and workers first. The Local Jobs First Policy ensures government supports Victorian businesses and workers by mandating that small and medium-sized enterprises (SMEs) are given full and fair opportunity to compete for government contracts of all sizes and types. It also mandates that a portion of total hours worked on government construction projects must go to our future workforce. This helps to develop sustainable local industries, create new jobs, grow the economy and provide new opportunities for apprentices, trainees and cadets.

www.localjobsfirst.vic.gov.au

2 Background

The *Victorian Industry Participation Policy Act 2003* was amended to become the *Local Jobs First Act 2003* in August 2018.

Under Section 4 of the *Local Jobs First Act 2003* (the Act), the Minister for Jobs, Innovation and Trade is responsible for the Act and for issuing the Local Jobs First Policy, with the support of the Department of Jobs, Precincts and Regions (DJPR).

The Local Jobs First Policy (the Policy) is mandatory and must be applied by all Victorian Government departments and agencies as well as contractors supplying into projects that fall within the scope of the Policy. The Local Jobs First Commissioner's role has also been established to facilitate implementation and compliance.

Local Jobs First relates to the participation by local industry in projects, developments, procurements and other initiatives undertaken or funded (whether wholly or partially) by the State. It also relates to the requirement that local apprentices, trainees and cadets complete a minimum of 10 per cent of total number of estimated hours of work on certain projects.

To support the Policy, Guidelines have been developed and contain procedures for agencies and contractors/suppliers to follow in complying with the Policy.

Consistent with the Act, the Policy comprises the Victorian Industry Participation Policy (VIPP) and the Major Projects Skills Guarantee (MPSG).

3 Local Jobs First Policy Objectives and Principles

The Local Jobs First Policy objectives are to:

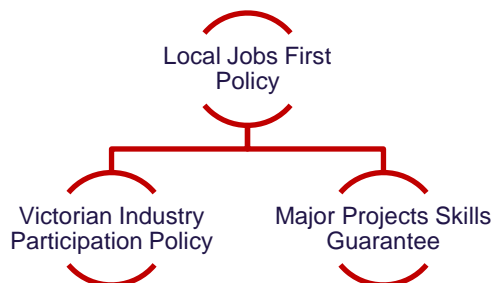
- promote employment and business growth by expanding market opportunities for local industry
- provide contractors with increased access to, and raised awareness of, local industry capability
- expose local industry to world's best practice in workplace innovation, e-commerce and use of new technologies and materials
- develop local industry's international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers.

Local Jobs First considers and is consistent with the following principles relating to procurement, tendering and the provision of financial assistance by the State:

- open, clear and accountable tendering mechanisms and processes
- value for money considerations in purchasing and supply decisions over the life of a goods, service or construction project.

4 Local Jobs First Policy

The Local Jobs First Policy is comprised of the Victorian Industry Participation Policy (VIPPP) and the Major Projects Skills Guarantee (MPSG).




4.1 Victorian Industry Participation Policy

VIPPP is an industry development policy designed to ensure small and medium-sized enterprises are given full and fair opportunity to compete for Victorian government contracts.

Under Local Jobs First, local content refers to Australia and New Zealand (ANZ) value-added activity reflecting:

- goods produced by local industry
- services supplied by local industry
- construction activities carried out by local industry.



In practice, the local content of a good, service or construction activity is determined on a cost basis and is the part of a product, service or activity once the cost of the international component has been subtracted. It can be expressed by the following equation:

$$\text{Local content} = \text{total cost of the good or service less international content}$$

The content of a good, service or construction activity may include the following:

- manufactured goods
- service provision (e.g. engineering, design, ICT, planning, testing and analysis certification, commissioning)
- direct capital costs (e.g. equipment, machinery)
- freight, transport and warehousing
- fees, taxes (excluding GST), margins and insurances – up to 10 per cent allowable of a project's local content.

Australia and New Zealand are treated as a single market under the Australia and New Zealand Government Procurement Agreement. All other countries are considered 'international'. Items imported into New Zealand as part of New Zealand sourced goods and services are considered to be international content.

VIPP requirements apply to all Local Jobs First projects, irrespective of whether products and services are 'contestable' or not.

4.2 Major Projects Skills Guarantee

The Victorian Government is committed to creating job opportunities and promoting a strong and sustained education and training culture.

MPSG is a workforce development policy that is designed to ensure job opportunities for apprentices, trainees and cadets on Victorian Government construction projects. MPSG applies to all aspects of a construction project – the target can be met through the services and goods procurement aspects of the construction project.


MPSG has applied since 1 January 2016 and requires that all construction projects valued at \$20 million or more utilise Victorian registered apprentices, Victorian registered trainees or cadets for at least 10 per cent of the contract works' total estimated labour hours.

5 Application by Departments and Agencies

The Local Jobs First Policy and associated Guidelines apply to all entities defined as either a public body or a department under Section 3 of the *Financial Management Act 1994*.

5.1 Project exemptions

In exceptional circumstances, the Minister responsible for the Act can exempt specific projects from applying the Policy and/or the requirements for a Local Industry Development Plan (LIDP). Exemptions must be sought through the Minister responsible for the project to the responsible Minister for the Act, the Minister for Jobs, Innovation and Trade.



The request for an exemption must be submitted at least 30 days prior to the planned release of solicitation documents (e.g. Expressions of Interest (EOI), request for tender (RFT) or grant documents) to the market or agreements being issued to prospective grant recipients. Agencies that are unable to meet the 30-day requirement must contact DJPR.

6 Local Jobs First Projects

The Policy applies to the full range of Victorian Government projects that meet financial thresholds.

Local Jobs First applicable projects include but are not limited to:

- purchase of goods and/or services, regardless of the method of procurement (including but not limited to individual project tenders, State Purchase Contracts, and supplier panels)
- construction projects (incorporating design and construction phases, including if administered through a competition, and all related elements), including but not limited to individual projects, Public Private Partnerships, Alliance Contracts, Market Led Proposals, auctions, supplier panels and registers
- grant and loan projects, including but not limited to grant agreements or loan arrangements to private, non-government and local government organisations for a single project or group of projects.

6.1 Project value

The value of the project refers to the total budget allocated over the life of the project excluding GST and not the value of individual contracts. This ensures opportunities for industry development and workers are maximised under the Policy.

Local Jobs First Projects are designated either Standard or Strategic, based upon their value and/or ministerial determination. There are different processes for applying Local Jobs First to Standard Projects, Strategic Projects, and grants and loans.


A Local Jobs First Standard Project is a project:

- with a budget of \$1 million or more in rural and regional Victoria; or
- with a budget of \$3 million or more for statewide projects or for projects in metropolitan Melbourne; or
- declared to be a Standard Project by the Minister under section 7A (1) of the Act.

A Local Jobs First Strategic Project is a project:

- with a budget of \$50 million or more; or
- declared to be a Strategic Project by the Minister under section 7a (2) of the Act.

For example, if a construction project involves stages such as early works, design, construction activities and maintenance, with a combined total value of \$50 million or more, then the project must be treated as a Local Jobs First Strategic Project, with minimum local content requirements to be applied.



A further example would be if a services project involves annual delivery activities to the value of \$500,000 per year for each of four years. This project would have a total value of \$2 million and as such it would be treated as a Local Jobs First Standard Project if in regional Victoria. If the project had an option to renew for a further four years, its total value would be \$4 million and as such it would be treated as a Local Jobs First Standard Project irrespective of location.

The source of a project budget does not impact the application of the Local Jobs First Policy. For example, a project budget may be sourced from State Government appropriations, internal agency resources, grants and loans or other contributions, which together make up the project value for Policy purposes.

A Local Jobs First Grants or Loan Project is a project:

- with a budget of \$1 million or more in rural and regional Victoria; or
- with a budget of \$3 million or more for statewide projects or for projects in metropolitan Melbourne.

6.2 Voluntary application for lower value projects

Where the Minister has not deemed a project to be a Standard or Strategic Project, an agency may voluntarily apply the Policy to projects with a budget that is lower than the minimum Standard or Strategic Project thresholds established under the Act or otherwise set out in this Policy.

7 Roles and Responsibilities

7.1 Responsible Minister


The Minister for Jobs, Innovation and Trade is responsible for the *Local Jobs First Act 2003*, the Local Jobs First Policy, associated policies, guidance documents and model clauses.

7.2 Department of Jobs, Precincts and Regions (DJPR)

DJPR is responsible for developing the Policy, Guidelines and model clauses and establishing structures to support its delivery across Victorian Government agencies. As part of this, DJPR undertakes monitoring, reporting and auditing activities related to the Policy and Guidelines. It provides advice and regular reporting to the Minister for Jobs, Innovation and Trade and the Victorian Government.

In addition, DJPR is responsible for:

- managing the services delivered by the Industry Capability Network (ICN) Victoria under the Policy
- leading engagement with the Commonwealth Government, other states and territories, and internationally on the Policy
- preparing the whole-of-government Local Jobs First Annual Report on the application of the Policy, including compliance, to provide to the Minister to table in Parliament as required under the Act.



DJPR engages directly with agencies and has access to all Local Jobs First documentation developed by agencies or submitted to agencies or the ICN by potential and contracted suppliers.

7.3 Victorian Local Jobs First Commissioner

The Act establishes a Local Jobs First Commissioner whose role balances advocacy, facilitation and compliance functions, working closely with government agencies and industry.

The Commissioner's functions are established under the Act, with further direction issued by the responsible Minister.

7.4 Agencies

The term agency refers to all Victorian Government agencies subject to the *Financial Management Act 1994*.

An agency is responsible for meeting and applying the requirements of the Act, the Policy and related Guidelines to all Victorian Government Local Jobs First projects.

Each agency is also required to nominate a **Local Jobs First Administrator**, as a coordination point to support implementation, monitoring, reporting and compliance activities. The Local Jobs First Administrator may oversee tender processes related to a given agency; be a liaison point for DJPR, the Commissioner and the ICN; coordinate the agency's monitoring and reporting requirements to the responsible Minister, DJPR and the Commissioner and through the agency's normal financial reporting mechanisms.

An agency's Chief Procurement Officer will be deemed to be the Local Jobs First Administrator unless otherwise advised.

An agency must, on request of DJPR or its agents:

- confirm current, upcoming and completed project opportunities
- provide advice on contracted suppliers and their supply chains for any Local Jobs First project
- provide advice on strategies to connect Victorian industry and workers to project opportunities
- support, where possible, events and communications activities related to the Policy and projects
- furnish regular reports on the implementation of the Policy and progress with the achievement of Local Jobs First outcomes and contracted commitments, including early notification of potential non-compliance.

An agency must engage with the Local Jobs First Commissioner and assist the Commissioner in the performance of the Commissioner's functions under the Act.

An agency must engage with the ICN consistent with the Policy Guidelines or as otherwise advised by the Minister, DJPR or the Local Jobs First Commissioner.

7.5 Industry Capability Network (Victoria)

The ICN is a not-for-profit organisation funded by the Victorian Government to support the delivery of Local Jobs First.

The ICN's key responsibilities include:

- working with DJPR and agencies to support the implementation of the Policy
- managing the Victorian Local Jobs First Management Centre (VMC) portal
- identifying local goods and services for a project
- acknowledging and evaluating bidders' local content, job and other commitments upon full completion of an LIDP
- providing local suppliers with the opportunity to register interest in upcoming government projects
- connecting Victorian SMEs located in metropolitan Melbourne and regional Victoria with Local Jobs First project and supply chain opportunities
- mapping local supply chain capability
- undertaking post-contract verifications on whether or not contractors have achieved the local content commitments as committed to in LIDPs
- managing the ICN Gateway, enabling local suppliers to register capability and interest in supplying into these upcoming government procurement projects

The LIDP review function and identification of local goods and services and other assistance functions are administered by the ICN separately from one another. This is for reasons of probity and privacy.

7.6 Suppliers/Contractors

Suppliers to Victorian Government projects must deliver the Local Jobs First commitments as set out in the LIDP contained within their project contract with the agency. A key part of this is engaging with local businesses and supply chains.

Suppliers are responsible for retaining documents, monitoring progress and reporting on compliance with the Local Jobs First Policy, and must follow the Local Jobs First Guidelines for Suppliers.

8 Local Content and Related Requirements

The Act provides that the responsible Minister must set local content and other requirements for Strategic Projects.

The Minister must, unless an exemption is granted (as above) set these requirements at no less than the following for selected Strategic Project types:

- 90 per cent for a construction project
- 80 per cent for a services project or a maintenance project
- 80 per cent for the maintenance or operations phase of a Strategic Project.

Local content requirements for other types of Strategic Projects will be set on a case-by-case basis. The Minister may also set requirements for Standard Projects.

9 Tender Evaluation Weightings

The Act requires the following two minimum weightings to be applied in evaluating tenders for all Local Jobs First projects:

- **10 per cent for industry development**
- **10 per cent for job outcomes.** For MPSG-applicable projects, the 10 per cent weighting will include commitments to providing opportunities for apprentices, trainees and cadets.

This is designed to ensure that local content, supply chain development and job opportunities for new and retained employees are maximised by bidders in delivery of the project.

Focus on job outcomes ensures that bids which commit to creating a **higher number of Victorian jobs and job development opportunities** are scored more highly than bids that commit to a lower number of jobs.

Guidance for the specific application of weightings is provided in the Local Jobs First Agency Guidelines.

10 Local Industry Development Plan Requirements

All tenders, proposals or other submissions for a Local Jobs First project must submit a Local Industry Development Plan (LIDP) to the ICN noting this will be available to the delivery agency and DJPR.


The LIDP must comply with the Local Jobs First Guidelines, including:

- specifying how the requirements of the Policy will be met
- making clear industry development and job outcome commitments, including regional development opportunities
- agreeing to monitoring and reporting requirements.

The information required in the LIDP will reflect the nature and complexity of the project. LIDPs will be classified as either complex (contestable, meaning the project uses products and services available both internationally and locally) or simple (low value and with limited contestability, meaning the project or contract uses products and services which are only available locally). LIDPs for MPSG applicable projects will also contain directions for the use of 10 per cent of labour hours for apprentices, trainees and cadets.

An agency must not accept a tender, proposal or other submission that does not include a compliant LIDP. The LIDP will be a required deliverable under the contract.

Agencies may request bidders re-submit an LIDP. If this changes the nature of the LIDP, then it must be revised and resubmitted to the ICN for acknowledgment through the VMC, and subsequent reassessment by the ICN and agency. The agency's project manager must notify the ICN that a bidder is going to revise their LIDP. Once a plan is re-submitted, it will go through the same process for an Acknowledgement Letter and evaluation.



If a bidder's tender is accepted, they must comply with delivery, monitoring and reporting requirements of the Act and Policy. This includes information and documents pertaining to Local Jobs First being accessible to the Local Jobs First Commissioner, in addition to the delivery agency.

Projects and contracts should not be structured by agencies to avoid the application of the Local Jobs First Policy.

11 Local Jobs First Guidelines

The responsible Minister issues Guidelines which must be followed by agencies and suppliers in the application of the Policy and the Act.

The Guidelines are publicly available for both agencies and suppliers to follow.

12 Monitoring, Reporting and Compliance

It is the responsibility of agencies and suppliers to monitor and report on the delivery of Local Jobs First requirements and commitments and ensure compliance, consistent with the Act, Guidelines and any further requirements in project contracts.

Agencies are responsible for ensuring that contracted local content and job commitments are being monitored, are on track and being achieved, and take action if they are not.

Each agency must include in its report of operations under *Part 7 of the Financial Management Act 1994* a report on the departments or agency's compliance with the Policy in the financial year to which the report of operations relates.

Consistent with the requirements of the Act, each agency must provide requested information for inclusion in a report to DJPR no later than six weeks after the end of the financial year to which the report relates.

Directions under Section 8 of the *Financial Management Act 1994* may include directions as to the form and content of the report required.

DJPR will undertake regular monitoring, auditing and reporting on progress at initiation, during delivery or commissioning, and at the completion of Local Jobs First projects.

Agencies and suppliers must retain documentation relating to Local Jobs First projects to demonstrate outcomes and compliance with the Policy and related commitments.

The Act provides a transparent compliance framework, involving a series of steps that the Local Jobs First Commissioner and responsible Minister can apply to confirm delivery of LIDP commitments and actions to take if they are not complying.

The Local Jobs First Guidelines provide specific instructions related to Local Jobs First monitoring, compliance and reporting requirements.



13 Contact Us

For further information or assistance on the Local Jobs First Policy and processes please contact:

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Authorised by the Hon Martin Pakula MP, Minister for Jobs, Innovation and Trade
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