

# Strategic Projects: New requirements for proposed local sourcing changes

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Suppliers and agencies delivering new and existing Local Jobs First (LJF) Strategic Projects must follow a new process when changes to local sourcing of goods, materials or labour are proposed. This will help to ensure local businesses continue to be provided a full and fair opportunity to compete for both large and small government contracts.

## What is changing?

A supplier for a LJF Strategic Project proposing to change the local sourcing of an item/s compared to what is listed in the approved Local Industry Development Plan (LIDP), must notify the project delivery agency (the agency) before contractually committing to the change.

The agency must work with the supplier to understand the reasons for the proposed change and assess the potential impacts.

If the agency determines the proposed change triggers a 'significant diversion', it must notify the Department of Jobs, Precincts and Regions (DJPR) and the Industry Capability Network (ICN) with details of the proposed change, and follow the process outlined.

## What constitutes a 'significant' diversion and how does an agency determine if the supplier's proposed change will trigger one?

A proposed change is considered significant if a supplier proposes to divert from the approved LIDP by:

- reducing the local content of any steel item, or
- reducing the local content by 20 per cent or more of any item (or group of similar items) that are of significant value to the project (e.g., valued at greater than \$5 million or equate to 5 per cent or more of the project's contract value).

### Questions for an agency to determine if a supplier has triggered a significant diversion:

1. Is the supplier proposing to reduce the local content of any steel item?
2. Is the supplier proposing to reduce the local content of an item (or group of similar items) in the LIDP by more than 20% and the value of that item/s is more than \$5 million?
3. Is the supplier proposing to reduce the local content of an item (or group of similar items) in the LIDP by more than 20% and the contract value percentage of that item/s is more than 5%?

If you answered *yes to any* of the above questions, the proposed change is considered a significant diversion. If you answered *no to all* questions, the change is not considered a significant diversion and the notification requirement does not apply. Nevertheless, suppliers may choose to work with ICN to consider local sourcing options.

## When does this take effect, and what projects does it apply to?

The requirement applies immediately to all LJF Strategic Projects including existing projects.

## **What is a group of similar items?**

A group of similar items is when a number of line items within an LIDP may relate to one aspect or component of a project. This could include a combination of items such as electrical cables, meters, and switchboards that may have been grouped under electrical equipment in the LIDP.

## **Why are these new notification requirements being introduced?**

Once a bidder is awarded the contract for a project, the local content that they outlined in their LIDP in the tendering stage may be impacted once they move into the delivery stage. This can occur due to many reasons including changing market conditions, supply chain impacts due to unforeseen reasons (e.g. COVID-19), project scope changes, and more.

These new notification requirements will ensure that, where significant diversions from the local content of an item/s are proposed, local alternatives have been investigated before considering the need to access an international supplier. This will ensure that local industry continues to be provided a full and fair opportunity to compete for both large and small government contracts helping to create job opportunities for local workers including apprentices, trainees, and cadets.

It will also ensure DJPR has sufficient information to understand any systemic issues that may be impacting the achievements of the policy.

## **What must suppliers do under this new requirement?**

Suppliers must deliver the commitments set out in the LIDP within their project contract with the agency. A key part of this is engaging with local businesses and supply chains.

Under the new requirement, where a supplier proposes to source an item internationally, but the approved LIDP listed local sourcing, the supplier must notify the agency before contractually committing to the change.

Where multiple businesses are listed in the LIDP to supply a line item, the requirement applies to any proposed change that would result in a reduction in the overall ANZ Value-Added Activity percentage of that line item.

For significant changes, suppliers will be directed to work with the ICN to identify local alternatives. Where agreement is reached that international sourcing is the preferred option, the supplier may also be required to re-submit their LIDP to the ICN for verification.

## **What must agencies do under this new requirement?**

Once an agency becomes aware of a supplier's proposed change, it must work with the supplier to understand the reason for the proposed change and assess potential impact/s and determine if it meets the LJF definition of a significant diversion.

Agencies must notify DJPR and the ICN of any proposed change that triggers a significant diversion by emailing [localjobsfirst@ecodev.vic.gov.au](mailto:localjobsfirst@ecodev.vic.gov.au) and [policyadmin@icnvc.org.au](mailto:policyadmin@icnvc.org.au), including an excerpt of the line item from the LIDP in its current and proposed form.

DJPR may ask agencies to direct suppliers to work with the ICN to maximise local industry outcomes in relation to the proposed change, including instances where the supplier has identified local sourcing challenges during project delivery. Suppliers and agencies should retain evidence of the options investigated to avoid sourcing items internationally.

For significant diversions, decisions to proceed with an international supplier should not be made prior to consultation with DJPR.

## Who is responsible for the outcomes of an LIDP?

The LJF Policy requires agencies and suppliers to monitor and report on the delivery of LJF requirements and commitments and ensure compliance, consistent with the *Local Jobs First Act 2003* (the Act), Guidelines, and any further requirements in project contracts.

A supplier's LIDP, including individual line items, are managed through contractual arrangements between the supplier and the agency.

## Key Contacts

### Department of Jobs, Precincts and Regions

DJPR is responsible for administering the Act, developing the LJF Policy and Guidelines, and establishing structures to support its delivery across the Victorian Government. DJPR also reports on LJF outcomes to the responsible Minister. Agencies and suppliers to government are encouraged to contact DJPR for LJF policy advice, particularly on matters relating to projects valued at over \$50 million.

Website: <https://localjobsfirst.vic.gov.au/>

Email: [LocalJobsFirst@ecodev.vic.gov.au](mailto:LocalJobsFirst@ecodev.vic.gov.au)

### Office of the Local Jobs First Commissioner

The Local Jobs First Commissioner advocates on behalf of Victorian SME's and promotes the employment of apprentices, trainees and cadets (ATCs) on government projects. They also oversee Local Jobs First compliance. If you require further information or would like to report a breach in relation to Local Jobs First compliance, email the Office of the Local Jobs First Commissioner using the email below.

Website: <https://localjobsfirst.vic.gov.au/commissioner>

Email: [commissioner@localjobsfirst.vic.gov.au](mailto:commissioner@localjobsfirst.vic.gov.au)

### ICN Victoria

ICN works with DJPR to support the implementation of Local Jobs First. ICN provides agencies and bidders with an end-to-end service explaining the policy, managing reporting, and assisting with practical delivery. Contact ICN to register projects or get practical advice on Local Jobs First application.

Website: <https://www.icn.org.au/who-are-we/our-team/#vic>

Email: [info@icnvic.org.au](mailto:info@icnvic.org.au)

Authorised by the Department of Jobs, Precincts and Regions

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