

Guideline		Document No.	XXXXXX
Document Title	Social Procurement Guideline		
Area	Management and Procurement Department	Issue Date	29 March 2016
Prepared By	Eugene Modystach	Reviewed	Chris Newman

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1. Purpose of guideline

The purpose of this guideline is to provide practical direction on improving local content and social outcomes through the procurement cycle: preparation, evaluation, execution and management of purchases. This guideline can apply to all purchases, from the identification of a requirement for a purchase order or contract through to the execution and variation of the contract. Organisations should implement the guideline and templates in conjunction with existing organisational policies and processes, while adhering to current legislative requirements.

This guideline applies to all procurement personnel, with the assistance of stakeholders (especially contract owners), who are responsible for understanding and adhering to the requirements of this guideline as part of the overall procurement process.

The guideline has two sections:

- > The first section introduces and defines social procurement, explains the need to prepare and align your business, and highlights the importance of strategic sourcing to achieve real outcomes.
- > The second section provides an overview of the procurement cycle, providing social procurement tips, tools and templates.

2. Definitions

Term/Acronym	Definition
GROW	G21 Region Opportunities for Work
G21	Geelong Region Alliance
VIPP	Victorian Industry Participation Policy
CAG	Compact Action Group
CIPP	Commonwealth Indigenous Procurement Policy
CMS	Contract Management System
APP	Aboriginal Participation Program
CCo	Contract Co-ordinator
CO	Contract Owner
CA	Procurement Officer or Category Management Officer
CSR	Corporate Social Responsibility
DTOA	Desk Top Opportunity Assessment

Term/Acronym	Definition
EOI	Expression of Interest
HR	Human Resources
HSE	Health Safety Environment
IP	Intellectual Property
IR	Industrial Relations
JO	Job Owner
KPI	Key Performance Indicator
PO	Purchase Order
RFT	Request for Tender
RFx	Request for Quote, Tender, Proposal, Price (go to market) etc.
RTA	Recommendation to Award
SOW	Scope of Work

3. Process Overview – Section A

3.1. Social Procurement for the GROW Project

G21 is the Geelong Region Alliance between Government, Business and Community Groups with an approximate regional population of three hundred thousand. The G21 has eight Pillar Groups including the Economic Development Pillar which contains the GROW Project. G21 works acts as a forum to discuss regional issues across interest groups and municipalities resulting in better co-ordinated research, consultation and planning. G21 supports the delivery of projects that benefit the region across municipal boundaries and is a platform for the region to speak with one voice to all levels of government.

GROW (G21 Region Opportunities for Work) is an innovative regional strategy which focusses on one of the key features of place-based disadvantage—joblessness. GROW aims to reduce unemployment in the G21 Region’s most disadvantaged areas over the next ten years.

Social procurement is one of the four domains of GROW. It aims to generate social value from procurement spend to maximise job opportunities in target communities in the G21 region.

A collective approach to social procurement practice and processes in the G21 region will support GROW’s aim to target, influence prosperity, and deliver greater social outcomes for areas identified as more disadvantaged according to social and economic indicators.

Three principal objectives of GROW are to:

1. Embed social procurement policy and practice so that contracts issued in the region support local training and employment;
2. Increase investment and other supports to strengthen and grow small to medium enterprises and employment; and
3. Expand existing brokerage approaches and investigate additional brokerage models for sustainable pathways between job seekers and employers.

3.2. G21 Regional

The G21 region has a population of almost 300,000 people and covers 8972 square kilometres. It includes five municipalities: [Colac Otway](#), [Golden Plains](#), [Greater Geelong](#), [Queenscliffe](#) and [Surf Coast](#).



3.2.1. Introducing Social Procurement

Public, private and not-for-profit organisations around the world are increasingly realising the benefits available to communities through social procurement practice.

Outcomes supported through social procurement projects and programs include:

- > Employment, training and apprenticeships for indigenous communities, youth, disadvantaged groups or regional communities through social enterprises and other social benefit suppliers and private businesses;
- > Strengthened opportunities for local and regional businesses and employment;
- > Community support through youth scholarships, infrastructure for community use, fair trade programs, and the development of social enterprises, etc.

Social procurement is also driving innovation and the development of new forms of partnership and service delivery models, while building job satisfaction, organisational pride and identity.

By integrating social procurement practice into mainstream procurement thinking, organisations can build a competitive advantage and directly demonstrate their capacity to add social and economic value to their deliverables in a cost-neutral or cost-effective way.

3.2.2. How can Procurement influence change?

Procurement is a vital consideration for driving systemic change, because it is the mechanism through which private and public sector organisations expend most of their resources in the purchase of goods, services and works.

Social procurement often takes the form of a public or private sector entity using an appropriate procurement opportunity (major project or routine) to generate targeted employment for specific population groups. Groups targeted by these procurement activities may include people with a disability, those who have experienced long-term unemployment, Indigenous Australians, culturally and linguistically diverse groups, youth, public housing tenants, or residents of communities impacted by social and economic disadvantage.

3.2.3. How do we define a social enterprise?

A social enterprise is a revenue-generating business with primarily social objectives that reinvests surpluses in the business or community, rather than being driven by the need to deliver profit to shareholders and owners. These organisations are commonly referred to as social benefit suppliers and include social enterprises, Australian Disability Enterprises, Fair Trade Businesses, Indigenous Businesses, and can include women-owned and minority-owned businesses.

Table 1 of Appendix A provides a list of reference websites that may assist in identifying social enterprises. This guideline includes local small-to-medium suppliers (less than 200 Full Time Equivalent staff members) as social enterprises, due to their significant contribution to the local economy and community.

3.2.4. Developing a Social Procurement Policy

An organisation may have an independent social procurement policy or include social objectives within an overall procurement policy. Procurement staff and key stakeholders must understand policy aims. It is crucial that the social procurement policy and strategy align to organisational leadership expectations and other departmental business plans. No single function or stakeholder group can make a social procurement commitment in isolation; leaders, contract owners, procurement staff and other key stakeholders are required to drive change.

The following is an example of a Social Procurement Policy:

Social procurement is the process of generating positive social outcomes through the delivery of goods, services and works. Social procurement is a key mechanism by which to generate wider social benefits by providing a mechanism for linking and integrating social and economic agendas.

(Insert Name) is a signatory to the GROW Compact. We are committed to adding value to the G21 Region, including the social benefits through our Local Economic and Social Contribution. Social procurement can effectively contribute to building stronger communities and meeting social objectives and in particular facilitating employment opportunities to target communities in the G21 Region.

Local Economic Contribution

Local Suppliers

(Insert Name) is committed to buying from local businesses where such purchases may be justified on Value for Money grounds, while remaining compliant with the Competition and Consumer Act 2010 and other fair trading legislation requirements.

Wherever practicable, **(Insert Name)** will fully examine the benefits available through purchasing goods, services or works from suppliers/contractors within the G21 Region.

Economic Development

(Insert Name) will also seek from prospective suppliers/contractors, where applicable, what economic contribution they will make to the G21 region. (Insert Name) will assign a weighting percentage up to a maximum value of 10% to this criteria element. The quotation or tender evaluation panel will determine the percentage applied to any procurement.

Such examples may include a supplier/contractor who:

- (1) Engages and contracts with local suppliers
- (2) Engages local sub-contractors
- (3) Participates in apprenticeship schemes or employs apprentices when tendering for projects and upon award
- (4) Contributes to the financial, social and environmental wellbeing of the region
- (5) Enables the expansion, growth and servicing of local businesses and contractors
- (6) Uses existing local businesses

Social Contribution

Social Enterprises

A social enterprise is a revenue-generating business with primarily social objectives that reinvests surpluses in the business or community, rather than being driven by the need to deliver profit to shareholders and owners. These organisations are commonly referred to as social benefit suppliers and include social enterprises, Australian Disability Enterprises, Fair Trade Businesses, Indigenous Businesses, and can include women-owned and minority-owned businesses.

(Insert Name) will identify opportunities to work with social enterprises and other not-for-profit businesses in the G21 Region that deliver social outcomes as part of doing business, either directly or as part of our supply chain.

Social Employment

(Insert Name) is committed to Social procurement, effectively achieving the GROW social objectives and facilitating employment opportunities to target communities in the G21 Region via our procurement processes. (Insert Name) will seek from prospective suppliers/contractors, where applicable, what employment contribution they will make to the G21 region.

3.2.5. Understanding your Social Procurement Maturity

The size, complexity and current social procurement maturity levels will determine if some revisions and awareness campaigns are required or if your organisation needs professional development to build your social procurement framework.

Use the following questions to test your organisation's social procurement maturity.

1. What are our current social procurement performance levels?
2. Do we have a policy and strategy to achieve our social procurement targets?
3. Does our contract management policy/framework make reference to social procurement and the importance of contract performance reviews and reporting?
4. Who is leading the focus on social procurement within our organisation?

5. How well does our organisation understand social procurement (do we have training, tools, and templates)?
6. Do our leaders fully support and drive social procurement within the organisation? (critical)
7. Do our leaders promote and communicate social procurement performance and celebrate social procurement success?
8. Do we have an accurate list of local and social enterprises by category?
9. Has our organisation defined its social procurement priorities including:
 - a. Job creation for long term unemployed
 - b. Aboriginal Enterprise development
 - c. Economic growth for social enterprises
 - d. Increased local spend
 - e. Assigning corporate social responsibility for certain sectors?
10. Is social procurement included in the sustainability reporting for the organisation?
11. Do our various policies align and complement our social procurement targets?
12. Have we conducted social procurement education sessions with our key suppliers?

3.2.6. Strategic Spend Analysis to identify Social Procurement Opportunities

It is critical to analyse your spend and develop a strategic sourcing plan. The aim of the strategic sourcing plan is to identify early opportunities for local and social enterprise sourcing. The 'Social Procurement Desk Top Opportunity Assessment Tool' provides a list of categories where social procurement capability is generally more advanced and you should consider a direct sourcing opportunity or a sub-contracting opportunity via a Tier 1 Contractor. Your social procurement policy should provide guidance on the strategic sourcing options for your organisation.

An organisation could have several sourcing options to achieve social procurement outcomes including:

1. Tier 1 fostering (employment and subcontracting to local and social enterprises);
2. Quarantining certain categories for social procurement only, for example:
 - a. RFT or
 - b. sole source;
3. Biasing (commercially) certain categories or local content;
4. Unbundling large scopes to create greater opportunities for local and social enterprises;
5. Using an Expression of Interest (EOI) to understand capability and then applying the above options;
6. Using a sponsored supplier development program.

Early identification of a suitable sourcing package and the best sourcing strategy is very important to investigating social enterprise tendering opportunities and enterprise capability. To help improve awareness and gain support the strategic sourcing plan should be visible to leaders and key stakeholders. The Strategic Sourcing Plan Template provides an example of the timelines and milestones to capture within a strategic sourcing plan. Larger organisations with complex procurement policies and thresholds should have a 12-18 month minimum sourcing pipeline.

Hyperlink Strategic Sourcing Plan

3.3. Introducing Social Procurement to Strategic Suppliers (Tier 1)

Organisations will typically have a significant percentage of their contracted spend allocated to multi-year arrangements. Do not wait for the complete contracting cycle before you introduce the strategic sourcing plan. Put social procurement on the agenda to cover targeted sourcing initiatives for already contracted strategic suppliers, especially those with a significant term left to run on the contract.

Section 4.6 provides some high level guidance on managing a contract and potential key performance indicators. You should introduce social procurement and performance reporting as part of the regular contract performance review. Your strategic Tier 1 supplier likely manages and reports on local and social KPIs for other clients, and should adjust to this additional focus relatively easily. This is another great opportunity to work with Tier 1 suppliers on local priorities, and inform them of the strategic advantage for future sourcing if they adopt early.

The following is an example of the types of contractual KPIs you could include in your contract performance schedule. You could introduce similar reporting and performance measures with your strategic or Tier 1 suppliers.

Item	KPI Category	Key Performance Measure	% of KPIs	Threshold	Target	Stretch
1	Aboriginal Participation	At least two (2) Trainees/Apprentices appointed and retained per annum	TBA	2	2	4
2	Social Content (Employment)	Number of local Disadvantaged Group employment opportunities created		5	7	10
3	Social Enterprises	Ten percent (10%) of the contract value to be awarded to Social Enterprises through subcontracting, including a minimum of two (2) contracts	TBA	2	2	4
4	Social Enterprises	Percentage (%) of hours worked by the Contractor's personnel being engaged	TBA	5%	7.50%	10%

Contract Management is critical to the success of any contracting outcomes and even more so for development of social enterprises. Social enterprises may require more support than an existing proven supplier may. The success or failure of a contract will often come down to an organisation's contract management framework and Contract Owner capability. Providing suitable training and support will ensure you achieve your identified social outcomes.

3.4. Importance of Engagement, Training and Communication

Organisations can improve their local and social enterprise outcomes by:

- > Developing clear roles and accountabilities;
- > Incentivising/rewarding staff during individual performance reviews;
- > Providing access to social procurement tools and templates;
- > Engaging with suppliers and raising awareness and expectations;
- > Acquiring sound knowledge of local capability (council, regional development);
- > Having visible leadership (i.e. Sponsor);
- > Implementing a Communication Plan (e.g. newsletter, dashboard, reporting);

- > Implementing a Training Plan to:
 - > Train Supply Staff
 - > Train Leaders
 - > Train Contract Managers
 - > Train other key staff;
- > Linking social procurement to Corporate Social Responsibility (CSR), Sustainability and Victorian Industry Participation Policy (VIPP), and other internal performance tracking and reporting measures.

Good social procurement policy is not enough to achieve improved social outcomes. The strategic sourcing plan will be critical to allow time to plan different sourcing options for the different categories of purchases. This guideline introduces concepts and processes that organisations can implement strategically and transactionally. Conducting a periodic (minimum annually), social procurement opportunity assessment and aligning to the strategic sourcing plan will allow an organisation to plan social procurement targets.

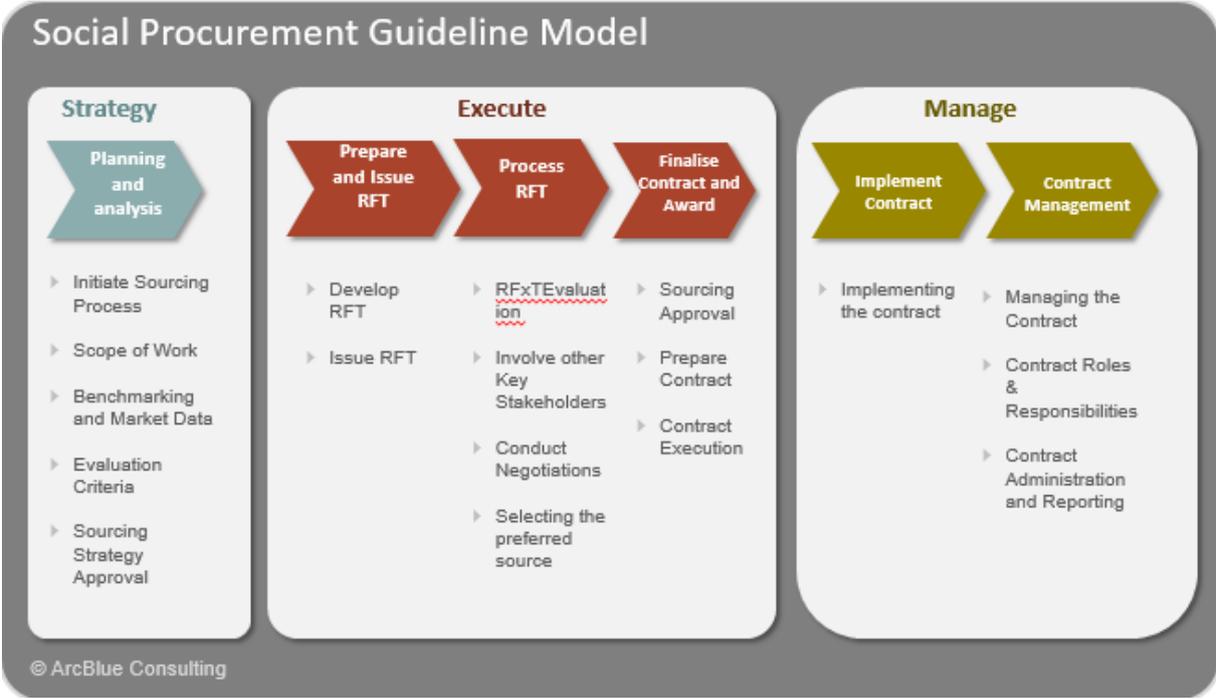
4. Process Overview – Section B

This guideline summarises the procurement process into six main processes. Procurement processes and terminology vary across organisations, so this section will overview each key process from a local and social procurement priority, and provide practical tools and templates for organisations to adapt to their processes where necessary. The tools and templates have been hyperlinked within this guideline and are available on the GROW Social Procurement Website.

The social procurement guideline incorporates six key areas:

- > Planning and Analysis
- > Prepare and Issue RFT
- > Process RFT
- > Finalise Contract and Award
- > Implement Contract
- > Contract Management

The Social Procurement Guideline Model summarises the process flow. Using this flow will help increase goods and services procurement from social enterprises and implement effective contracts to ensure your organisation meets agreed social outcomes.



The guideline aims to assist the end user to understand where they are in the procurement cycle and how they can apply or consider social procurement at that stage. Grey highlighting in the text below distinguishes the social procurement guidance, tips, tools and templates from the more general procurement processes.

4.1. Stage 1: Planning and Analysis

The Planning and Analysis stage has several key steps to ensure you are well prepared to go to market. Poor scope or design will normally result in poor delivery of goods and services or sourcing outcome, so one of the most important steps in this stage is developing a good scope.

Do not confuse Stage 1 Planning and Analysis with the planning and analysis elements covered in Section A. Section A is about preparing your organisation for social procurement. This stage is about planning and analysis for a specific purchase.

Table 1 – Planning and Analysis

<p>Tools and Templates</p>	<p>Sourcing Strategy Template Social Procurement Desk Top Opportunity Assessment (DTOA)</p>
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4.1.1. Initiating Sourcing Process

You should initiate the sourcing process when an end user/requestor or a member of the procurement team needs to purchase goods and/or services. Depending on the value, risk and procurement policies, the following may be required to commence the process:

- > The Scope of Works or Services
- > Performance Requirements
- > Time to Implement
- > Budget
- > Health, Safety, Environment Risk
- > Employee Relations and Industrial Relations
- > Any relevant Specifications and Drawings
- > Completed Risk Assessment (HSE and/or Commercial)

After receipt of the new procurement request set up the initial sourcing ‘kick-off’ meeting with the contract owner and any other key stakeholders. Discuss the following, and assign actions during the meeting:

- > Review the content of the new request (contract term, contract type)
- > Review the intended scope and estimated contract value
- > Discuss sourcing timing
- > What are the expected deliverables and outcomes?
- > What are we trying to achieve?
- > What is the potential sourcing strategy (sole source, go to market, RFT, EOI)?
- > Discuss the potential inclusion of local and social enterprise and employment opportunities:
 - > Do we have social enterprises that could bid for this work or collaborate with a Tier 1 supplier if the scope is significant?
 - > Can a local supplier perform this work?
 - > Is the scope low risk and complexity and supportive of social procurement?
 - > Does the scope fall within one of the categories listed in Appendix A?

> Will this scope or project create new employment opportunities that align with the GROW objectives?

- > Discuss potential KPIs and Reporting requirements
- > What are the risks? (Conduct Risk Assessment)

Social Procurement Desk Top Opportunity Assessment

Once an organisation has identified or clearly defined a procurement need, the end user or procurement representative can conduct a social procurement opportunity assessment using the Desk Top Opportunity Assessment (DTOA) tool. The DTOA helps the end user identify the suitability of the procurement need and social procurement opportunity. The DTOA provides guidance to assist the end user or procurement representative to consider their procurement strategy and what social procurement clauses to consider incorporating into the RFT.

The social procurement clauses will primarily focus on delivering the key objectives of the GROW project to create employment opportunities in the targeted communities within the G21 Region and create increased opportunities for small to medium businesses. Large service categories or capital projects will likely create the most significant opportunities for employment and embedding key employment clauses within your tender will be critical to negotiating, awarding and implementing social outcomes.

Hyperlink Social Procurement Desk Top Opportunity Assessment Example 1

4.1.2. Scope of Work (SOW)

Definition – The **SOW** describes the work involved in defining, designing and producing a project’s deliverables and their assembly into a satisfactory working whole.

The sourcing team must ensure the SOW has sufficient detail and answers the following:

- > Is the SOW for the goods or services required written to an acceptable standard?
- > Does the SOW or material list provide enough information for the bidders to submit an accurate proposal?
- > Can you remove some low technical elements of scope and tender directly to a social enterprise?
- > Does the SOW outline full technical specifications?
- > Does the SOW outline expected deliverables, company obligations, contractors’ obligations, reporting requirements, and KPIs etc.?
- > Does the SOW define the organisation’s obligation regarding travel, site amenities etc.?

4.1.3. Benchmarking and Market Data

Definition – Benchmarking describes the standard, or a set of standards, used as a point of reference for evaluation, performance or level of quality. Organisations may draw their benchmarks from their experience, the experience of other firms or organisations in the industry, or from legal requirements such as environmental regulation.

Definition – Market data is a set of data that reflects current trading information including pricing and volume and additional information related to the trade. Market data helps traders and investors learn as much as possible about daily trades. Consider:

- > Are any other contracts currently in place for this scope of services? Is it possible to consolidate?

- > Is current benchmarking data available?
- > Is it necessary to engage a benchmarking supplier or industry body to assist with market data?
- > Does a local or social enterprise trade in these goods or services?
- > Have other organisations awarded similar scope to a social enterprise?
- > What local and social employment targets have similar projects achieved?
- > What are other organisations/industries doing in this area?
- > Have we looked at new technology?
- > Using the market dynamics Porter 5-Forces model what is the size of the market in relation to the number of vendors, the market segmentation, our relative size within that market and the competition level?
- > What vendor cost/price drivers (currency, commodities etc.) exist?
- > Where are the goods manufactured?
- > What is the supply chain model and what parties are involved in the supply chain?
- > What are the terms of trade?

4.1.4. Evaluation Criteria

Definition – Evaluation Criteria describes a benchmark, standard, or yardstick against which accomplishment, conformance, performance, and suitability of an individual, alternative, activity, product, or plan, and risk-reward ratio is measured.

Social procurement templates have been prepared that organisations can insert into existing evaluation templates to ensure appropriate weighting during the tender evaluation phase.

You must document the evaluation process, including the weighted evaluation criteria and scorecard matrix, developed in conjunction with the Contract Owner, before you release an RFT. You should encourage input and ‘buy in’ from the end user or Contract Owner, as this will be the basis for selecting the preferred bidder. An organisation may have a policy that defines minimum social procurement weighting. This may vary depending on the value but should be a minimum of 10% for all formal RFT.

4.1.5. Sourcing Strategy Approval

Definition – The sourcing strategy describes the approach of the sourcing project. A sourcing strategy enhances the probability of a better sourcing outcome through improved planning and formal pre-approval by stakeholders. This is especially important where seeking support for a sole sourcing approach.

Standard sourcing strategy templates have been prepared and contain the key input fields necessary to explain in any sourcing strategy.

Sourcing strategies can vary from very simple summaries to detailed strategies, yet all should clearly define the local and social enterprise strategy. Sourcing packages will vary in the opportunity and target for local and social enterprise outcomes but internal stakeholders need to understand the sourcing team’s intent and evaluation process, especially if the preferred supplier does not have the lowest price but does meet local and social enterprise targets.

[Hyperlink Sourcing Strategy templates](#)

4.2. Prepare and Issue RFT

Definition – RFT is a standardised process that provides a structured way for organisations and vendors to interact with each other and conduct business, often the exchange of specific items or services for a specific price, but also the exchange of information such as capabilities, willingness, commercial terms and conditions, or management plans of safety, ER and social outcomes.

Organisations use RFTs to gather vendor pricing, capability and potential performance information to select the appropriate vendor(s) for the process. The RFT process culminates in vendor selection and recommendation to stakeholders. The procurement staff will typically prepare the go-to-market documents using standard RFT templates.

Tools and Templates	RFT Social Procurement Clause/s
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4.2.1. Develop RFT

When developing your RFT, consider including:

- > Scope/Drawings: ensure you attach a suitable SOW together with any technical drawings
- > The most suitable standard contract or Purchase Order Terms
- > Health, Safety, Environment (HSE) Management Plan as evidence that the Contractor has an appropriate HSE management system in place
- > Price Models:
 - > What is the most suitable commercial structure for pricing purposes (lump sum, schedule of rates, full open book management fee, parts listing)?
 - > If labour based, do you need to issue a labour build up spreadsheet?
 - > If construction, prepare a specific construction price schedule
- > Employee Relations Management Plan (ERMP) to establish a methodology for assessing a contractor’s risk profile and the related requirements for an Employee Relations Management Plan
- > Social Enterprise Development strategy to ensure employment and participation opportunities are available to social enterprises. In Process Section A, we define several sourcing procurement strategies to consider.

Preferred Social Procurement Categories
Organisations may quarantine any new sourcing opportunity that falls within the following categories to support their social procurement sourcing strategy:

- a. Minor civil works and materials handling services
- b. Minor projects
- c. Grounds maintenance
- d. Catering services
- e. Building maintenances
- f. Non-technical, trade or professional labour provision
- g. Site support services (such as dust suppression, fencing and cleaning services)
- h. Land management and Aboriginal services
- i. Printing

- j. Waste management services
- k. Recycling services
- l. Facilities management

Refer to **Table 2 of Appendix A** for a more comprehensive list of categories.

It is important to remind the procurement team and internal stakeholders continually to identify these opportunities, especially if the organisation has not conducted, incorporated and embedded a comprehensive opportunity assessment into a strategic sourcing plan. Conflicting priorities often result in organisations overlooking social procurement sourcing opportunities.

Social Procurement RFT Clauses

Standard Social Procurement RFT clauses have been prepared for organisations to consider including in their RFT depending on opportunity, value and risk. Evaluation templates have also been prepared to assess the supplier’s proposal and proposed commitments during the Process RFT phase. Both RFT clause and evaluation criteria have three levels of complexity so organisations can vary them depending on the opportunity.

The following are two examples of social procurement tender clauses that you could select and insert into your standard tender template.

1. Accurately calculate and estimate the value of local content in your Tender

2. Number of total personnel (equivalent full time employees) you will source from the G21 Region

In section 4.3.1 we review an example of a potential response and evaluation of the above two tender requirements.

[Hyperlink RFT Social Procurement Clause/s](#)

4.2.2. Issue RFT

Depending on the value and complexity of your RFT, you may require a briefing once issued. RFT briefings are a great opportunity to explain to the bidders why your organisation is serious about social procurement and the process they should follow. It may be worthwhile to reiterate the social procurement intent, RFT weighting, evaluation process and the overall expectations i.e. we are not looking for high-level words but tangible commitments that can become contractual obligations. It may be worth suggesting where bidders can seek support to prepare their RFT, for instance, regional development groups, council, websites etc.

4.3. Process RFT

The procurement representative collates the RFT responses and coordinates the evaluation process with the relevant site and business representatives. The evaluation methodology will depend on the nature of the goods and/or services you are procuring. The evaluation methodology should be transparent: you should select the preferred vendor according to the criteria contained in the RFT document (e.g. capability, safety performance, social enterprise commitments, and price).

Tools and Templates	RFT Evaluation Template – (H,M,L)
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4.3.1. RFT Evaluation

The tender evaluation process includes:

- > Clarifying and resolving queries concerning exceptions, deviations and qualifications to the contract
- > Ensuring bids comply with the requested information from your RFT Templates
- > Requesting non-compliant gaps be addressed in an expedited fashion (failure to close gaps should prevent bidders proceeding to the shortlist)
- > Ensuring bids address the scope that has been requested, so the evaluation is conducted across like for like tenders
- > Undertaking a detailed technical evaluation in accordance with the agreed evaluation criteria for all short-listed bidders, to determine their capability, capacity and competency to deliver all requirements of the RFT.

To represent true value for money, the initial evaluation should address more criteria than the upfront purchase price or cost. Indicative criteria may include:

- > Continuity of supply
- > Logistics complexity and risks
- > Risks associated with the vendor's cultural, political or commercial environment
- > Quality assurances
- > Experience and past record in the industry
- > Expertise of key personnel
- > Technical viability/suitability
- > Delivery performance
- > Corporate social responsibility (whether our values align)
- > Commitment to social enterprises growth and development
- > Commitment to create employment opportunities in the key target communities within the G21 Region
- > Commitment to local content, especially growth and development for small to medium businesses
- > Financial viability
- > Technical representation and/or support

- > Proposed contract management
- > Innovation, flexibility or savings initiatives
- > Automation and approach to e-Procurement
- > Whether insurance certificates are current
- > Reference checking or field visits if required
- > Conducting financial risk assessment for new vendors (or having the Finance team evaluate the new vendor's past financial reports).

Social Procurement RFT Evaluation Templates

Social Procurement RFT Evaluation Templates have been prepared with the same high, medium and low approach. Organisations can swap and change the evaluation criteria depending on the specific category and opportunity. You can incorporate each of the social procurement RFT evaluation templates into the overall evaluation template and adjust the percentage weighting.

For the more strategic social procurement opportunities including larger projects, it is important to assess the supplier's social enterprise commitments, past performance and current awareness in this area. A supplier who has performed and is currently committed to social outcomes is more likely to deliver successfully on any new contractual commitments.

The following is an example of a potential supplier response to the same two social procurement clauses built into the standard tender during section 4.2.1:

1. Accurately calculate and estimate the value of local content in your Tender

ABC Pty Ltd is committed to the G21 Region with 100% of the contract to be purchased locally.

ABC Pty Ltd intends to deliver the majority of services with our current employees and will sub-contract Electrical Engineering Services elements to a local supplier 123 Pty.

All materials for the project will be sourced from local suppliers with whom we hold current commercial arrangements.

ABC Pty Ltd spent \$2m dollars in FY14/15 on goods and services with 90% invested in businesses within the G21 Region.

2. Number of total personnel (equivalent full time employees) you will source from the G21 Region

ABC Pty Ltd currently employs 15 staff with all of them living locally and within the G21 Region.

ABC Pty Ltd proposes approximately 10 staff full time for 36 months to deliver the tendered maintenance services.

ABC Pty Ltd will use 5 existing experienced staff and propose to recruit 5 new local employees. Two of these employees will be recruited from less advantaged postcodes. In addition to the recruitment, ABC Pty Ltd plans to recruit two new apprentices to support the growth from this contract.

The recruitment strategy will be developed and fully executed within three months of contract commencement.

In the evaluation criteria section 4.1.4, we had determined the overall evaluation criteria, including social procurement and weightings. The following is an example of how the sourcing team or business owner may assess the response to tender schedule above.

Prepared By: xxxxxxxx, xxxxxxxx Date: xx/xx/xx		Supplier XXXX			Comment
Criteria	Criteria Weighting (W) (%)	Score (S)	Weighted Score (WxS)		
3	Local Content & Social Procurement - Demonstrated Knowledge	40%			
3A	Does the Bidder demonstrate capability and commitment to acceptable levels of local content (employment, economic development and value)?	20%	10.00	2.00	100% commitment to local content. 90% of current annualised spend is within the G21 Region. Proven record of supporting and contracting locally. Only proposed sub-contracting is a local supplier.
3B	Does the Bidder demonstrate capability and commitment to acceptable levels of local labour hours?	0.20	10.00	2.00	100% of current workforce is living within the G21 Region. All proposed manning to be sourced within the G21 Region. Bidder has committed to recruiting 5 new local employees. Two of these employees will be recruited from less advantaged post codes. Bidder has also committed to the recruitment of two new apprentices to support the growth from this contract. Bidder implementation timing is acceptable give this three year arrangement.

The evaluation team has determined the supplier has demonstrated a very good understanding of local content and commitment to support economic development and employment in the G21 Region.

Hyperlink RFT Evaluation Template

4.3.2. Involve other Key Stakeholders

As part of the evaluation process, there may be a number of stakeholders to be engaged to ensure the proposed commitments address all requirements of both parties in relation to the technical, financial, regulatory, HR/IR, HSE, sustainability and legal aspects.

4.3.3. Conduct negotiations

Many factors require consideration when undertaking the negotiation phase of the sourcing process. Before any negotiation takes place, it is important to understand the market in which the business is sourcing from and in particular, the relative position of the businesses within that market. Consider:

- > What is the market condition?
- > What are we currently paying?
- > What does our benchmarking tell us we should be paying?
- > What are we prepared to pay to support social enterprise outcomes?

- > What are we prepared to pay to support local outcomes?
- > What are the minimum social enterprises, local content and employment outcomes we are prepared to accept during these negotiations?

The gathering of market data and the development of reliable benchmarks play an important part of the negotiation process. Being aware of the inputs related to a vendor's ability to source and supply materials and/or services will better provide the transparency required to identify negotiation opportunities with each submission.

From a technical perspective, it is important that all submissions address the technical requirements of the request, so procurement staff can effectively evaluate 'like with like' and negotiate with vendors.

4.3.4. Selecting the Preferred Source

The decision to award a contract to a specific vendor involves the evaluation of many factors that have direct and indirect benefits to the business. The sourcing team considers the following attributes when selecting a preferred source of supply:

- > Technical capability: does the vendor have the skills to do the work safely?
- > Capacity: does the vendor have the personnel, systems and services available to do the work?
- > Competitiveness: is this the best cost-to-business benefit?
- > Contractual terms
- > Commercial viability: what is the 'Total Cost' of the offer?
- > Quality of HSE plan (seek feedback from the Contract Owner or HSE Specialist)
- > Quality of ERMP plan (seek feedback from the IR Manager)
- > Overall alignment: what are the vendor's charter values, community values, commitment to E-business etc.?
- > Local and social enterprise performance and contractual obligations
- > Employment strategy and commitment
- > Corporate social responsibility
- > Sustainability
- > Financial risks (counter party risk)
- > Value add services
- > Innovation

4.4. Finalise Contract and Award

Once the evaluation has determined a preferred vendor, the procurement lead must coordinate the necessary internal approvals. Any new contract or amendment may require a Recommendation to Award (RTA) subject to your local business rules.

The RTA document sets out the requirement for the goods or services contract in question as well as detailing the sourcing process undertaken and the justification for selection of the preferred vendor. It also includes detail on the evaluation methodology and any operational, commercial or legal issues dealt with during the evaluation phase.

Tools and Templates	Recommendation to Award template Social Procurement KPIs
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4.4.1. Sourcing Approval

In preparing your RTA, you may need to address:

- > Negotiated social procurement analysis and outcomes (local enterprise development and employment)
- > Resources required to effectively implement and manage contractual commitments to ensure social procurement outcomes are realised
- > Social Procurement Desk Top Opportunity Assessment (attach to RTA)
- > HSE analysis and outcomes (attach risk assessments to the RTA)
- > Benchmarking data (internal and industry if available)
- > Productivity analysis and measures
- > Spend analysis and market data
- > Technical summary
- > Commercial summary (impact + or -)
- > Any cost savings or value adding
- > Current safety performance
- > Original Sourcing Strategy and Copper peer review memorandum

To ensure 'buy-in' to the contracted targets including social procurement outcomes, various leaders including the Contract Owner and Supply Managers must be involved in the approval process. You should dedicate a section of the RTA Template to social procurement outcomes. This section will define the negotiated social outcomes and become contractual commitments.

[Hyperlink Recommendation to Award Template](#)

4.4.2. Prepare Contract

In preparing the contract, the contract terminology must be clear and concise regarding scope, with respect to inclusions/exclusions, and the price review mechanism and frequency, which eliminates the risk of disputes at a later stage.

The contract may require a clause to be included to cover social enterprise commitments. The clause could be as simple as the percentage or contract value of local content or several contractual commitments submitted and negotiated during the RFT. The contractual commitments will also form the basis of your performance reviews and reporting requirements. Include social procurement KPIs in the performance schedule section of the contract so it is clear what you will review as part of managing the contract. Suggested social procurement KPIs and tips on how to manage the contract are summarised in section 4.6 of this guideline.

Potential KPIs to include in the Performance Management Contract Schedule from the RFT evaluation completed in section 4.3.1 include:

Item	KPI Category	Key Performance Measure	% of KPIs	Threshold	Target	Stretch
1	Local Content (Spend)	Contract value to be spent within the G21 Region	20%	80%	100%	100%
2	Local Content (All labour)	Percentage (%) of hours worked by the Contractor's personnel sourced from local G21 Region	20%	80%	100%	100%
3	Local Content (Employment)	Number of local employment, education, training, and apprenticeship and trainee opportunities created	20%	3	5	7

[Hyperlink Social Procurement KPIs Templates](#)

4.4.3. Contract Execution

Once you have obtained internal approvals, you can issue the final contract draft for execution in accordance with your organisation or legislative requirements.

Once signed, scan the contract and/or variation/amendment into PDF format and store in accordance with your local policies.

It is important to advise unsuccessful bidders why they were unsuccessful. The evaluation tool is the most useful source of information for this. A supplier, especially a small enterprise, needs to learn from the process so they can address any shortfalls. An RFT debrief is a great opportunity to reinforce local and social enterprise content if this was one of their low weightings.

4.5. Implement Contract

The contract implementation phase is not just the physical mobilisation of a contractor's workforce and equipment but also the alignment with safety, industrial relations, social and contractual requirements.

The mobilisation phase is about developing an understanding between your organisation's stakeholders and the contractor on important contract management issues.

4.5.1. Implementing the Contract

While implementing any system related changes, develop the implementation plan for the contract with the supplier and other stakeholders, to ensure a successful transition phase to the new agreement. This may involve regular meetings and reviews to identify potential downstream issues related to the implementation.

You will need to allow sufficient time to complete the implementation stage; the contract-sourcing plan will have allowed duration for the mobilisation, updated with the successful vendor's proposed plan.

For contracts that require a mobilisation plan, the contract owner and the vendor lead will meet once they have executed the contract to further review and detail the implementation plan. Document the plan to capture all aspects to prep, mobilise and commence the contract, which may include:

- > Validation and execution of the Contract;
- > Issue of a valid Purchase Order;
- > Approval of the completed HSE plan (if applicable);
- > Approval of the completed Industrial Relations Plan (if applicable);
- > Completion of site induction and familiarisation activities for the contractor's on-site personnel;
- > Completion of site access approvals;
- > Social procurement commitments including:
 - > Local employment plan and targets
 - > Local sub-contracting plan and targets
 - > Training and awareness commitments
 - > Social enterprise plan and targets
 - > Performance review and reporting standards;
- > Inspection and approval of contractor vehicles, plant, tools and chemicals;
- > Completion of mobilisation checklists, impact assessments and delivery of a mobilisation 'kick-off' meeting.

If the contract is replacing a current contract, the above mobilisation plan will need to work in conjunction with the demobilisation of the incumbent. Take particular care in transitioning the contracts with familiarisation of the service for the incoming vendor while the incumbent is finalising the service.

Post the internal approvals and contract award, the sourcing team should consider the communication strategy. This may involve a more formal contract signing process to increase internal and external awareness of the targeted contractual outcomes.

4.6. Contract Management

The principle objective of Contract Management is to provide a structured process to support:

- > Provision of a safe and practicable work environment;
- > Establishment and maintenance of compliant legal, commercial, safety, environmental and industrial relations processes;
- > Application of fair and mutually beneficial contractual arrangements;
- > Standardisation of roles and accountabilities across the organisation;
- > Standardisation of contractor performance management criteria and application across the appropriate category, and across multiple sites;
- > Alignment with corporate practices and compliance requirements including recording and reporting social outcomes for sustainability reporting;
- > Embedding a contract management footprint to deliver best practice.

The objective of any contract management framework is to give a clear understanding of the contract management process and accountabilities.

Tools and Templates	Performance Scorecard Basic Template Quarterly Performance Scorecard Template Supplier Customer Service Questionnaire
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4.6.1. Managing the Contract

An organisation’s contract management policies may cover requirements relating to managing contracts, and define the types of contracts that require performance management, the methods available for managing contracts, the rewards and recognition relating to exceeding contract expectations and the responsibilities of all parties involved.

The primary need for a contract review is to evaluate the progress and performance of the contract against the contract intent documented in the SOW, commercial terms and conditions and HSE Plan. Reviewing the executed contract on a regular basis is a crucial step in contract management and is required to maintain contract compliance.

There are several methods to review the compliance of the contract. The most conventional is the Quarterly KPI review, however depending on the type of contract, the Quarterly review may be too frequent or not frequent enough, so an organisation may implement a Tier rating for frequency. Below is a table suggesting the frequency of KPI review. Outside the KPI review, there are several other contract reviews required to maintain compliance as documented below.

Tier Rating	Goods	Service	Location
T1	Quarterly	Quarterly	Face to Face / Video Conference
T2	Bi-Annual	Quarterly / Bi-Annual	Video Conference / Face to Face
T3	CO Discretion	Annual	Teleconferenced / Video Conference

Note this table is a suggestion only; potentially high-risk T1 contracts with frequent reporting, or extremely volatile spend contracts may require monthly KPI reviews at the contract owner’s discretion. The frequency of KPI reviews for T2 or T3 contracts will also depend on these factors.

Social Procurement Guideline

The content of the KPI review will follow required measurable points of the SOW, terms and conditions or HSE plan.

A KPI sheet cannot include KPIs that contradict the contract documentation. A KPI sheet should not contain more than 15 KPIs. Each KPI needs to contribute to a value adding measure that you need to track to maintain the compliance of the contract. Do not add KPIs just to make up numbers.

The contract owner should determine who attends the contract review. Too many non-contributing attendees can disrupt the meeting from achieving contract-related results.

Contractor KPI presentation must follow the format of the KPI sheet, fully explain, and justify the score proposed with required back up slides as required. We recommend the contractor send through the presentation prior to the meeting so the contract owner can review the presentation and give the vendor the opportunity to correct any obvious errors to eliminate wasted time during the review.

You must minute all Contract KPI reviews. Minutes must capture the attendees and actions arising through the review on the presentation, or KPI scores. We recommend you review the previous meeting minutes before the presentation begins to ensure all previous actions has been completed and is reflected in the current KPI presentation.

On completion of the KPI review, you must send the final agreed KPI score along with meeting minutes and all KPI review documentation to the procurement team for electronic filing according to your local policies.

The following contains potential KPIs to be included in the contract performance review held with the supplier from the evaluation completed in section 4.3.1

Item	KPI Category	Key Performance Measure	% of KPIs	Threshold	Target	Stretch
1	Local Content (Spend)	Contract value to be spent within the G21 Region	20%	80%	100%	100%
2	Local Content (All labour)	Percentage (%) of hours worked by the Contractor's personnel sourced from local G21 Region	20%	80%	100%	100%
3	Local Content (Employment)	Number of local employment, education, training, and apprenticeship and trainee opportunities created	20%	3	5	7

The following table provides a summary of potential KPIs you might consider when drafting the schedule for the contract performance review, or as part of an existing contract management framework.

Potential Social Procurement KPIs for Contract KPI Schedule

Item	KPI Category	Key Performance Measure	% of KPIs	Threshold	Target	Stretch
1	Aboriginal Participation	Ten percent (10%) of the contract value to be awarded to Aboriginal Enterprises through subcontracting, including a minimum of two (2) contracts	TBA	2	2	4
2	Aboriginal Participation	Percentage (%) of hours worked by the Contractor's Aboriginal personnel being engaged	TBA	5%	7.50%	10%
3	Aboriginal Participation	Aboriginal employees to be retained greater than twelve (12) months as part of the workforce	TBA	50%	75.00%	100%
4	Aboriginal Participation	At least two (2) Trainees/Apprentices appointed and retained per annum	TBA	2	2	4
5	Aboriginal Participation	Appointment and retention of an Aboriginal Liasion Manager	TBA	26 weeks	40 weeks	52 weeks
6	Local Content (excluding Professional Labour)	Percentage (%) of hours worked by the Contractor's personnel sourced from local G21 Region	TBA	40%	50%	70%
7	Local Content (All labour)	Percentage (%) of hours worked by the Contractor's personnel sourced from local G21 Region	TBA	60%	70%	80%
8	Local Content (Employment)	Number of local employment, education, training, and apprenticeship and trainee opportunities created	TBA	30	40	60
9	Local Content (Employment)	Number of local Disadvantaged Group employment opportunities created		5	7	10
10	Local Content (Spend)	Contract value to be spent within the G21 Region	TBA	70%	80%	100%
11	Social Enterprises	Ten percent (10%) of the contract value to be awarded to Social Enterprises through subcontracting, including a minimum of two (2) contracts	TBA	2	2	4
12	Social Enterprises	Percentage (%) of hours worked by the Contractor's personnel being engaged	TBA	5%	7.50%	10%

[Hyperlink Contract Management Tools and Templates \(Performance Scorecard Basic, Quarterly Reporting Template and Supplier Customer Service Questionnaire\)](#)

4.6.2. Contract Roles and Responsibilities

Contract management primary roles have specific authority levels and distinct responsibilities; each role has a description based on:

- > What the person must do to be effective in the role;
- > What discretionary decision making limits are required to be efficient in the role;
- > What the person must escalate, and to whom, to ensure that they do not introduce risk to the contract or organisation.

Primary Contract Management Roles

Key	Meaning	Contract Role Type
CO	Contract Owner	Strategy Owner
CCo	Contract Coordinator (also Contracts Compliance Superintendent)	Day to day management
JO	Job Owner	Contract work scope holder

Support Contract Management Roles

Key	Meaning	Contract Role Type
CA	Category Management Specialist	Commercial Support
HSE	HSE Advisors	HSE support
HR	Human Resources	HR and IR support

4.6.3. Contract Administration and Reporting

Continual monitoring and review of the contracts base ensures optimal sourcing opportunities are realised. The process involves the review of existing contracts in relation to validity of dates, off-contract spend, variations and random audits in relation to the vendor's performance and risk reduction. It is the Contract Owner's responsibility to administer the contract.

You should understand who is responsible for coordinating social procurement reporting and governance internally. A dashboard may be required to capture data and update performance. Leaders must clearly define roles and accountability for reporting and governance in addition to the procurement and Contract Owner roles.

Social Enterprise data from all internal sources and contractor performance reviews (contractual commitments) should be centrally coordinated. Someone within the organisation needs to monitor and report to leaders on the following:

1. How are we trending against internal targets?
2. Do we have areas, suppliers or contracts that are exceeding performance?
3. Do we have areas, suppliers or contracts that are not achieving targets?
4. Who is contributing to the success and how do we reward/recognise them?
5. How does our reporting align with sustainability, CSR or VIPP requirements?

The Contract Owner and Supply Lead have a critical role to reinforce every opportunity to promote social/local content. For instance, they should consider:

- > If a contract variation creates additional opportunities;

- > Whether there are opportunities to support trials of alternate produce manufactured locally;
- > Whether there is strong leadership during the performance review including senior representatives from the supplier at the quarterly review;
- > Whether the organisation can promote contractors to support each other through strategic sub-contracting.

Contract Management is critical to the success of any contracting outcomes and even more so for development of social enterprises. Social enterprises may require more support than an existing proven supplier may. The success or failure of a contract will often come down to an organisation's contract management framework and Contract Owner capability. Suitable training and support ensures the organisation achieves the social outcomes identified through the strategy and process.

Appendix A

Table 1 – Social Enterprise Resource Summary

Type of Social Enterprise	Resource and Support
Indigenous Suppliers	<ul style="list-style-type: none"> > Supply Nation http://supplynation.org.au/ > Black Business Finder http://www.bbf.org.au/
Disability Suppliers	<ul style="list-style-type: none"> > ADE Directory www.ade.org.au/ades-directory > Social Enterprises Register http://www.hpw.qld.gov.au/SitecollectionDocuments/SocialEnterprsesRegister.xlsx > Social Traders Social Enterprises Finder http://www.socialtraders.com.au/ > Social Ventures Australia http://socialventures.com.au/
All other Social Suppliers	<ul style="list-style-type: none"> > ICN Gateway http://gateway.icn.org.au/ > APCC http://www.apcc.gov.au/SitePages/Home.aspx internal stakeholders > Australian Charities and Not-for-profits Commission https://www.acnc.gov.au

Table 2 – Potential Social Procurement Categories

Administrative agencies services
Banquet and catering services
Building and Construction and Maintenance Services
Building construction and support and maintenance and repair services
Building support services
Business administration services
Cleaning and janitorial services
Cleaning and janitorial supplies
Commercial or industrial construction
Community and social services
Domestic pet products
Education and Training Services
Environmental management
Environmental protection
Forestry
General building and office cleaning and maintenance services
General building construction
Grounds maintenance services
Health administration services
Healthcare provider support persons
Land and soil preparation and management and protection
Library or documentation services
Mailing or mail pick up or delivery services
Mailing services
Management and business professionals and administrative services

Marketing and distribution
Material handling services
Meeting facilities
Office equipment rental or leasing services
Office furniture
Office machines and their supplies and accessories
Office supplies
Parking fees
Passenger transport
Personal and Domestic Services
Personnel relocation
Photographic services
Plumbing and heating and air conditioning
Post office box services
Postal and small parcel and courier services
Prepared and preserved foods
Printed media
Printed publications
Printer and facsimile and photocopier supplies
Printer and photocopier and facsimile accessories
Printing
Printing and writing paper
Promotional or advertising printing
Publication printing
Publishing
Refuse collection and disposal
Refuse disposal and treatment
Relocation services
Roads and landscape
Sponsorship of event or celebrity
Stationery
Temporary personnel services
Transportation repair or maintenance services
Vehicle transport services
Water and wastewater treatment supply and disposal