

The South Australian Government's Response to the South Australian Productivity Commission Inquiry into Government Procurement

Stage 1



Government
of South Australia

Foreword

Annually, the South Australian Government spends over \$5.1 billion purchasing a range of goods and services that enable state operations.

Taxpayers expect us to make the best procurement choices that represent value for money and also support local businesses and industry.

In response to small and medium enterprises' concerns about the cost and time required to participate in tendering for government procurement opportunities, I tasked the South Australian Productivity Commission with evaluating the effectiveness and efficiency of our procurement policies and practices. Within their inquiry, they were also to identify options to improve procurement practices and their impacts on local industry.

The first stage of this inquiry is now complete and I'm pleased to report that the government has accepted all 30 recommendations, the majority in full, with two partially supported. One is already in practice and many will be completed before the end of 2019.

I am confident that implementing the commission's recommendations will facilitate productivity growth, unlock new economic opportunities, support job creation and remove existing regulatory barriers.

My government remains committed to continuously improving internal processes so that South Australian businesses can prosper and I look forward to delivering even better value for our state.

Hon Steven Marshall MP
Premier of South Australia

Introduction

The Productivity Commission (SAPC) has released its Final Report, Inquiry into Government Procurement Stage 1.

The final report completes the first part of a two-stage inquiry into government procurement. It addresses government procurement for the purchase of goods and services other than by prescribed agencies (as listed in Schedule 1 of the *State Procurement Regulations 2005*; e.g. SA Water and South Australian Housing Trust) or capital expenditure.

The second stage of the inquiry will complete the examination of the procurement system and address some key matters that require a system level perspective including the architecture of the system, institutional arrangements and some matters specific to capital expenditure including aggregated contracts. The final report will be provided by 31 October 2019.

The South Australian Government has considered all 30 recommendations and this report outlines what we will do in response.

The Commission's final report is structured around three key themes:

1. Improving the Procurement System in the short term

'No regrets' changes that would strengthen the capability of the whole of government procurement system without pre-empting the advice in Stage 2 regarding the system's architecture and institutional arrangements;

2. South Australian Industry Participation Policy (SAIPP)

Providing greater support to developing 'match-fit' businesses - performance of the SAIPP and SMEs in the procurement system; and

3. Procuring Services from the Not-For-Profit Sector

Addressing matters that apply largely to not-for-profit organisations in government procurement of goods and services.

The government response to the recommendations from the SAPC is provided in the next section, including high level implementation plans for each recommendation.

Twenty nine of the recommendations will be implemented during the current financial year and the last one will be completed by the end of 2020.

Government purchasing – election commitments

The government has already committed to implementing a series of reforms to enable South Australian businesses to better participate in government procurement by providing “more opportunities more simply”. These reforms involve:

1. Reviewing aggregated contracts to identify procurements that can be broken into smaller contracts subject to value for money outcomes;
2. Introducing a requirement that at least one local supplier must be involved in every tender process that goes to market;
3. Establishing a pre-registration system that will allow tenderers to pre-load their business details, making the process of bidding for government tenders simpler, quicker and easier;
4. Reviewing the status of prescribed public authorities with the intent of bringing some of them into line with public authorities operating under the *State Procurement Act 2004*; and
5. Establishing a new unit to assist small to medium businesses preparing tenders.

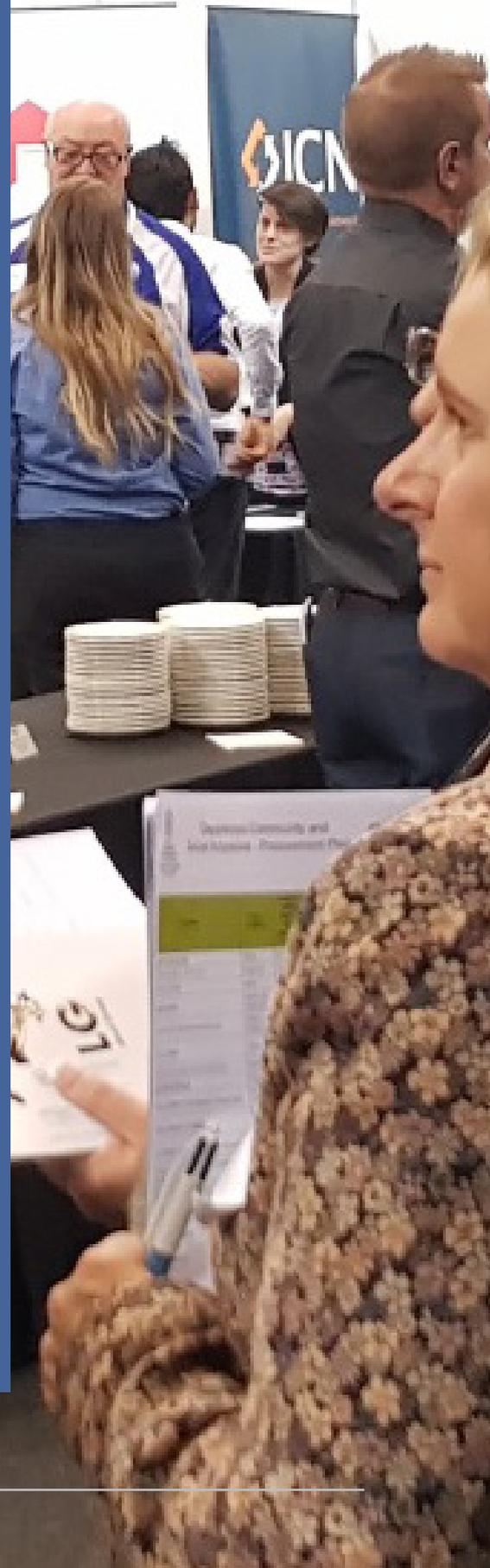
Status

Work continues on progressing implementation of the five commitments regarding procurement reform.

The Office of the Industry Advocate (OIA) is managing a project to implement a pre-registration system, also recommended by the South Australian Productivity Commission (SAPC) in Stage 1 of its inquiry. OIA is also expanding its Meet the Buyer Program based on a recommendation from the SAPC, and it will also continue to run its regular supplying to government workshops to assist businesses in responding to tenders. These initiatives help deliver the intent of the proposed new unit.

Prescribed public authorities are being considered in Stage 2 of the inquiry into government procurement.

Industry Capability Network



Improving procurement in the short term

The South Australian Productivity Commission has identified a number of early actions that would strengthen the capacity to drive a whole-of-government procurement system without compromising the consideration of the full procurement system (including prescribed public authorities and capital procurement) in Stage 2 of the inquiry.

What we will do:

- Simplify the process through delegation
- Improve guidance on value for money
- Improve agency engagement with businesses
- Improve reporting and analysis of the value delivered from procurement
- Build capability in procurement across government.

Recommendation 2.1: To cut red tape in the decision process and eliminate unnecessary delays, the Commission recommends that the government undertake the following.

<p>2.1.1: Adopt the principle that generally procurement decisions should only be authorised once, and subsequently chief executives and public authorities should be held accountable for the procurement outcomes.</p>	<p>Supported</p>
<p>Response The government supports reducing red tape and eliminating unnecessary delays. The recommended 'authorise once' approach is already applied in most cases.</p>	
<p>Implementation Plan Treasurer's Instruction 8 and the State Procurement Board's policy framework will be reviewed to ensure that the principle of one approval by Cabinet and the Board is clearly established as the default approach (other than in exceptional circumstances). This review will be coordinated by the Department of Treasury and Finance.</p>	<p>Complete by 31/10/2019</p>
<p>2.1.2: Identify any exceptions where a further confirmatory decision may be required before the commencement of the procurement.</p>	<p>Supported</p>
<p>Response There are certain circumstances where confirmatory decisions may be required. For example:</p> <ul style="list-style-type: none"> • High-risk procurements – the State Procurement Board may wish to see details of the procurement outcomes before a preferred supplier is selected; • A multi-staged procurement, where the strategy for subsequent stages cannot be defined until the first stage has been completed – additional State Procurement Board approval of the second stage approach may be required; • Where a procurement process materially deviates from the approved Acquisition Plan – additional State Procurement Board approval would be required; or • Where the anticipated value of a proposed contract is likely to require additional funding – further financial commitment approval would be required. 	
<p>Implementation Plan The State Procurement Board's Policy framework will be reviewed (in conjunction with Recommendation 2.1.1) to ensure that clear guidance is provided to agencies regarding the circumstances in which further confirmatory decisions may be required.</p>	<p>Complete by 31/10/2019</p>

2.1.3: Increase financial delegations for chief executives to the levels commensurate with the business of the public authority such that duplicate approvals are not required to execute contracts.	Supported
Response and Implementation Plan Chief Executive delegations will be increased to a maximum of \$15 million. This is the level at which contracts are considered significant enough to warrant additional budget scrutiny and review by the Department of Treasury and Finance.	Complete by 30/09/2019
2.1.4: Provide Ministers with sufficient financial delegation to approve contracts that provide for ordinary business requirements of the public authority for which they have responsibility.	Supported
Response and Implementation Plan Ministers will have authority to sign all contracts that are within Cabinet approved funding. This will remove the requirement for Cabinet approval to execute such contracts, irrespective of value.	Complete by 30/09/2019

Recommendation 2.2: In order to provide greater clarity to procurement staff on the application of value for money in their work, the State Procurement Board will undertake the following.

2.2.1: Replace its existing general guidance on value for money with clear, plain English explanations and guidance for procurement and agency staff in government agencies on how to consider price and non-price factors in the overall value to government from the acquisition of goods and services, including any relevant specific policy requirements.	Supported
Response The State Procurement Board's Value for Money in Procurement Guideline will be revised to better assist government agencies in applying and determining value for money. Whilst there are a number of elements comprising value for money that consistently apply to most procurements (e.g. cost, Industry Participation Policy requirements, risk, etc.), there are factors that may be specific to individual procurements and/or a particular agency.	
Implementation Plan The State Procurement Board will develop an improved Value for Money in Procurement Guideline. Better practices identified by the SAPC in other jurisdictions will be considered in drafting the new guideline.	Complete by 30/11/2019
2.2.2: In developing this revised guidance, incorporate the best practice approaches in other comparable Australian jurisdictions.	Supported
Response Refer response to recommendation 2.2.1.	
2.2.3: Implement the revised guidance through appropriate training and education for procurement staff.	Supported
Response and Implementation Plan The revised value for money guidance will be incorporated into current State Procurement Board training courses. A series of specific information sessions will also be held.	Complete by 28/02/2020

<p>2.2.4: Actively communicate and explain the revised guidance to external parties interested in supplying goods and services to the South Australian Government including businesses, business associations and not-for-profit organisations.</p>	<p>Supported</p>
<p>Response</p> <p>The government supports ensuring that businesses, business associations and not-for-profit organisations are fully informed of the revised value for money guidance.</p>	
<p>Implementation Plan</p> <p>Three approaches will be used to communicate the revised guidance to external parties:</p> <ul style="list-style-type: none"> • Publishing the materials on the SA Government Tenders and Contracts website; • Requiring that businesses are provided with the revised guidance as part of each tender (where appropriate); and • The Office of the Industry Advocate will communicate the guidance information to businesses as part of regular industry engagement forums. 	<p>Complete by 28/02/2020</p>
<p>Recommendation 2.3: To help to address the identified gap in knowledge between potential suppliers and government agencies about local supply capabilities and agency procurement needs and plans, government agencies establish regular opportunities for their business units and procurement staff to engage with local businesses through means such as the Meet the Buyer program to improve:</p> <ul style="list-style-type: none"> • the knowledge of potential suppliers about agency needs and procurement plans; • the awareness of supplier capabilities; • the awareness of technological and service developments; • suppliers' level of understanding of public procurement processes; and • the capacity of suppliers to meet public authority requirements. 	<p>Supported</p>
<p>Response</p> <p>The Office of the Industry Advocate (OIA) will be responsible for expanding its Meet the Buyer program based on the SAPC's recommendations. This will include a specific Meet the Buyer forum for 'start-up' businesses.</p> <p>The OIA also runs regular (typically fortnightly) supplying to government workshops with interested businesses to improve their understanding of the public sector procurement process. Agencies will be engaged to participate in these workshops.</p>	
<p>Implementation Plan</p> <p>Develop a revised Meet the Buyer program that includes agency involvement.</p>	<p>Complete by 31/10/2019</p>
<p>Recommendation 2.4: To make information on the capacity of local businesses more easily available to businesses and to government agencies, the OIA and Department for Innovation and Skills provide links between the suite of supplier information currently provided by the Industry Capability Network and related information in the Office for Industry Advocate Supplier Database.</p>	<p>Supported</p>
<p>Response</p> <p>The government supports making supplier capability information more easily accessible by all parties.</p>	
<p>Implementation Plan</p> <p>The Department of Trade, Tourism and Investment and the Office of the Industry Advocate have already commenced work on creating linkages between the Industry Capability Network and other supplier information as identified by the SAPC.</p>	<p>Complete by 30/09/2019</p>

Recommendation 2.5: To mitigate unnecessarily risk-averse approaches by agencies to engaging with the market and businesses to:

- understand, among other things, supplier capabilities;
- communicate procurement plans; and
- seek intelligence on market trends and technology changes.

<p>2.5.1: The State Procurement Board develop, in consultation with the Independent Commissioner Against Corruption (ICAC), an industry engagement guideline that provides instruction and guidance on:</p> <ul style="list-style-type: none"> • principles for engaging with industry; • planning for engagement and engagement activities throughout the procurement cycle; • dealing with risks of engagement; • providing feedback to suppliers; and • measuring engagement outcomes. 	<p>Supported</p>
<p>Response</p> <p>The government supports the development of an industry engagement guideline to encourage effective engagement with suppliers, prior to commencing procurement activity.</p>	
<p>Implementation Plan</p> <p>The State Procurement Board will develop improved guidance for agencies on industry engagement, incorporating each of the elements identified by the SAPC. This work will be undertaken in conjunction with agencies and the Independent Commissioner Against Corruption (ICAC).</p>	<p>Complete by 31/03/2020</p>
<p>2.5.2: Once developed and reviewed by ICAC, this guidance be issued by the State Procurement Board to all government agencies, with appropriate training.</p>	<p>Supported</p>
<p>Response and Implementation Plan</p> <p>The State Procurement Board’s existing training program will be updated to incorporate education/awareness of the new industry engagement guideline.</p> <p>Communicate the industry engagement guidance to government agencies and develop an associated education program.</p>	<p>Complete by 31/03/2020</p>

<p>Recommendation 2.6: In order to increase the amount of reliable information available to prospective suppliers, including SMEs, about future procurement opportunities, each agency will be required to meet its obligation by:</p> <ul style="list-style-type: none"> • publishing an annual forward procurement program setting intentions and probable timing in the coming 24-month horizon, with some indication of the probability of the intended procurements; • publishing a complete list of current contracts with planned intentions for extension or market approach on a 24-month moving basis; • reporting any significant variations to the procurement program in its annual report; and • reviewing the initiative after two years to assess its effectiveness and administrative cost. 	<p>Supported</p>
<p>Response</p> <p>The government supports the publication of forward procurement plans.</p>	

<p>Implementation Plan</p> <p>The State Procurement Board will monitor and improve agency compliance with the revised reporting requirements.</p> <p>The intention is for agencies to update their forward procurement plans when material changes arise, rather than retrospectively reporting these changes in their annual reports.</p> <p>Revise the State Procurement Board’s Reporting Policy and publish updated forward procurement plans on the SA Government Tenders and Contracts Website.</p>	<p>Complete by 28/02/2020</p>
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<p>Recommendation 2.7: In order to provide the underpinnings for understanding and analysing whole-of-government procurement, the government commit to reform the reporting requirements for government authorities to central procurement and the collection of data to ensure greater accountability and demonstration of outcomes resulting from expenditure of public monies on goods and services. Specifically, the reporting and data collection at a state level include metrics for:</p> <ul style="list-style-type: none"> • capability • value for money • fairness of process • supplier feedback on the process and supplier engagement • cost of the procurement process. <p>In the short term, government agencies will be required to report annually to the State Procurement Board on the following key metrics that are currently captured in existing information at the agency level:</p> <ul style="list-style-type: none"> • supplier expenditure, by location and by size of supplier • saving created through the procurement function per procurement FTE • managed spend per procurement FTE • operating cost of the procurement function as a percentage of the managed spend. 	<p>Supported</p>
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<p>Response</p> <p>The government supports measuring the effectiveness, cost and value derived from agency procurement operations.</p>	
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<p>Implementation Plan</p> <p>The State Procurement Board will work with the largest government agencies to develop a reporting regime for improved procurement metrics. Once the reporting structure has been agreed and implemented, the Board will investigate the feasibility of expanding this across all agencies.</p> <p>Develop a revised Procurement Reporting Policy. New reporting requirements are proposed to take effect from 1 July 2020.</p>	<p>Complete by 28/02/2020</p>
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Recommendation 2.8: Lift the overall attention on contract management in agencies.

<p>2.8.1: The State Procurement Board (SPB), in consultation with public authorities, provide amended guidance on expectations, methodology and measurement of contract management performance.</p>	<p>Supported</p>
<p>Response The government supports setting clear expectations for the effective conduct of contract management activities and the associated measurement of performance.</p>	
<p>Implementation Plan SPB’s existing Contract Management Policy will be reviewed to provide additional guidance to agencies, including consideration of each of the matters highlighted by the SAPC as part of Recommendation 2.8.2. The implementation of the revised Contract Management Policy will be supported by an appropriate communication strategy.</p>	<p>Complete by 31/01/2020</p>
<p>2.8.2: Public authorities monitor and report on:</p> <ul style="list-style-type: none"> • adherence to contract outcomes; • result of efforts to mitigate risks throughout the life of the project; • management of suppliers and proportion of projects (and by type) where supplier performance is not to the standard required; • changes to scope; and • number of proof of concept or co-design projects considered in order to encourage innovative solutions and results. 	<p>Supported</p>
<p>Response Refer to response Recommendation 2.8.1. As per the response to Recommendation 2.7, the new reporting requirements are proposed to take effect from 1 July 2020. In addition, the government will develop a proposal to encourage start-ups and scalable businesses in the state to bring forward innovative solutions where the government can be the customer for new innovative ideas.</p>	
<p>2.8.3: Over time, measures and reporting be standardised to enable monitoring of contract management at a whole-of-government level.</p>	<p>Supported</p>
<p>Response The government supports moving towards a standardised approach for the monitoring of contract management performance at a whole-of-government level over time. Refer to response Recommendation 2.8.1.</p>	

Recommendation 2.9: To assist agencies to improve their procurement capability and practice, the State Procurement Board and the Department of Treasury and Finance sponsor a community of practice for the heads of agency procurement professionals that would, among participating agencies:

- share good practice in procurement;
- identify lessons learned on matters of common concern;
- identify opportunities for agencies to share capability and expertise, including areas where experienced and specialist procurement professionals could partner with other agencies to improve procurement outcomes;
- benefit from advice and discussion with the owners of government policies that are relevant to procurement, including the not-for-profit contracting reforms and the Industry Advocate, in order to improve understanding and practice; and
- identify opportunities to reduce unnecessary costs to procurement and business in procurement policy, practice and process.

It may also be worthwhile to establish sub-committees to focus on procurement areas like not-for-profits.

Supported

Response

The government agrees that improvements in procurement outcomes can be achieved from well-structured and engaged communities of practice. The State Procurement Board already facilitates a forum with agency heads of procurement which aligns with this recommendation.

Implementation Plan

In consultation with the existing Heads of Procurement forum, the State Procurement Board will create a more structured framework for agencies to share good practice, lessons learned, opportunities and other relevant matters. This will include the establishment of sub-committees under the Heads of Procurement forum covering particular areas of focus.

Complete by
31/10/2019

Recommendation 2.10: In order to raise the capability of the South Australian Government’s cohort of procurement professionals, the Department of Treasury and Finance and the State Procurement Board develop a strategic plan for capability development. This plan is to include:

- accurate figures on the numbers, role and seniority of procurement staff in agencies
- risk assessment of the cohort of procurement professionals having regard to matters including: the types and sophistication of government procurements being done by agencies; the opportunities for whole of government contracts; implications of technology; and other relevant considerations
- education, qualifications and experience of procurement staff
- skills and training needs analysis
- training and other capability development.

The strategy should consider other jurisdictions and include strategies to develop strategic capability. Reporting on the strategy targets and objectives need to be part of public authority annual internal audit requirements.

Supported

Response

The government acknowledges that the capability of agency procurement staff is important in supporting the achievement of its strategic direction.

Implementation Plan

The State Procurement Board's Capability Development Strategy 2017-2019 is currently due for review. A new strategy will be developed, together with an operational plan incorporating each of the matters raised by the SAPC.
Develop and launch a new Capability Development Strategy.

Complete by
31/12/2019

Recommendation 2.11: In order to assist in managing capability risks in high-risk/high-value procurements, agencies prioritise any assessed development gaps for procurement practitioners in those areas where potential benefits and risks are highest.

Supported

Response

Refer response to Recommendation 2.10.

Recommendation 2.12: Identify new or revised training and other development initiatives in response to emerging trends and current unmet needs and as part of monitoring progress against the strategic plan proposed in Recommendation 2.10, the State Procurement Board is to undertake an annual review, drawing on the experience and advice of agencies and developments in other Australian jurisdictions.

Supported

Response

The government supports the identification and review of emerging procurement trends through drawing on the experience of agencies, other jurisdictions and the private sector.

Implementation Plan

Representatives of the State Procurement Board are already actively engaged in cross-jurisdictional and industry forums, including the Australian Procurement and Construction Council capability development committee. A more structured process will be implemented to share the insights gained from these forums with agencies.

Complete by
31/12/2019

Government as customer to support innovation

South Australia is positioning itself as a destination for entrepreneurship and innovation. The state is creating the environment for entrepreneurs to start and scale up their innovative early stage businesses.

Start-up businesses need a place to start, to get their first customers and help to turn their ideas into successful businesses. Often innovative early stage businesses develop new products or services that can solve problems for, or on behalf of government to improve operations and services.

Government can be that first customer, that place to test the new idea, to develop that proof of concept and enable that real life trial.

For many years, governments have been trying to adopt this innovative approach through their procurement function but with limited success. Procurement rules and processes by their very nature cannot easily be adapted to meet this need.

A new approach to support innovative behaviours and outcomes is therefore proposed.

The government is committed to developing a proposal to encourage start-ups and scalable businesses in the state to bring forward innovative solutions where the government can be the customer for new innovative ideas.

Procurement and the South Australian Growth Agenda

The government is developing a 'South Australian Growth Agenda' as recommended by the Joyce Review of the *South Australian Government's International and Interstate Engagement Bodies and Functions*.

The growth agenda includes a strong focus on export-based growth which is underpinned by a requirement for South Australian businesses to be competitive in external markets.

The South Australian Productivity Commission has viewed the performance of the South Australian Industry Participation Policy in procurement through this lens, with recommendations framed to achieve the outcome of more competitive local businesses, including small to medium enterprises. This approach, rather than direct industry support, is most likely to contribute to a business environment that fosters 'match-fit' businesses that are competitive in markets beyond South Australia.

South Australian Industry Participation Policy

The South Australian Productivity Commission has made recommendations to give greater support to developing 'match-fit' businesses through improvements to the South Australian Industry Participation Policy (SAIPP). More information on the SAIPP will be analysed in Stage 2 of the inquiry as the scope expands to cover capital procurement and prescribed public authorities.

What we will do:

- Provide better information on the performance of the SAIPP
- Increase the capacity of businesses to compete in government procurement
- Complete the development of a pre-registration system for businesses and not-for-profit organisations
- Simplify the Industry Participation Policy to reduce tape and unnecessary costs to businesses and agencies.

Recommendation 3.1: In order to monitor, assess and improve the SAIPP, the Industry Advocate collect and analyse an annual unbiased sample of information held by all agencies and currently recorded as part of the assessments of individual procurements above the revised threshold value for ECT set out in Recommendation 3.4, including:

- winner and runner-up on pricing
- ECT/IPP scores adjusted to a standardised score of 15
- labour hours in SA
- investment in SA
- sourcing of SA products
- domicile of business
- Number and locations of the businesses that tendered.

To be useful in identifying across-government improvements, this information needs to be defined and collected consistently.

Supported

Response

The government supports the improved collection and analysis of SAIPP information.

Implementation Plan

The Department for Innovation and Skills (DIS) currently hosts the portal used for capturing IPP related data and scoring on behalf of the Office of the Industry Advocate. DIS is currently updating and streamlining the IPP portal. This work includes the capture of new data elements, which largely cover the items recommended by the SAPC.

Complete updates to the IPP portal in-line with the SAPC recommendations.

Complete by
31/10/2019

<p>Recommendation 3.2: In order to improve the understanding by businesses of the IPP and raise their capacity to compete in government procurement, the relative IPP and ECT scores of a supplier in individual procurements should be made transparent to businesses by agencies when debriefing businesses on their performance in tenders.</p>	<p>Partially Supported</p>
<p>Response</p> <p>Through regular workshops for businesses supplying to government, the Office of the Industry Advocate is already supporting businesses to improve their understanding of the IPP and associated scoring processes.</p> <p>The government acknowledges the importance of being transparent to businesses in the IPP and Economic Contribution Test (ECT) scores they are allocated as part of individual procurement evaluations. Business will be advised of their allocated IPP and ECT scores. It is not considered appropriate to provide the scores of other tenderers, to protect against the inadvertent disclosure of commercially confidential information.</p>	
<p>Implementation Plan</p> <p>The State Procurement Board will update its existing guidance on conducting supplier debriefings to increase transparency regarding IPP and ECT scoring.</p> <p>Amend the existing guidelines and communicate the new requirements to government agencies.</p>	<p>Complete by 31/10/2019</p>

<p>Recommendation 3.3: To cut red tape to business, especially SMEs, to help manage financial risks in potential suppliers and to improve information in the marketplace for agencies, develop a pre-registration system that allows existing and new users of tenders to pre-load their business and financial details. Participation in the pre-registration scheme include SMEs, business in general and not-for-profit organisations and be on a voluntary basis.</p>	<p>Supported</p>
<p>Response</p> <p>This recommendation is already being addressed via a project being managed by the Office of the Industry Advocate, in response to the government's procurement election commitments.</p>	
<p>Implementation Plan</p> <p>A two-stage implementation approach is being taken. The Office of the Industry Advocate is currently finalising a draft set of standard questions that can be incorporated into government tenders and form the basis of a pre-registration process.</p> <p>Once these questions are finalised and approved, Stage 2 of the project will involve implementing a system to capture pre-registration data and linking this system to existing agencies websites/portals used to issue tenders (e.g. SA Tenders and Contracts Website).</p>	<p>Complete by 31/12/2020</p>

Recommendation 3.4: In order to cut red tape and reduce administrative burdens to businesses and government agencies, the IPP can be simplified by:

- **lifting the minimum threshold for which ECT is required to \$550,000 (including GST) to align with the revised threshold for simple procurements; and**
- **making the ECT optional for prospective suppliers to include in their tender responses for tenders between \$220,000 (including GST) and \$550,000 (including GST).**

Partially Supported

Response

The government supports minimising the administrative burden on business and agencies associated with the IPP through lifting the minimum threshold to \$550,000 (GST inclusive).

However, the proposal to make the ECT optional for prospective suppliers as part of tenders with a value between \$220,000 (GST inclusive) and \$550,000 (GST inclusive) may create increased complexity in procurement decision-making. Specifically, if some suppliers provide ECT information in their tenders and others do not, it will be problematic for agencies to assess the tenders on a fair and equitable basis.

Instead, it is proposed that agencies determine whether to include ECT requirements into the assessment criteria for each tender between \$220,000 (GST inclusive) and \$550,000 (GST inclusive).

To ensure that there is no potential disadvantage to South Australian businesses as a result of this change, agencies will be required to ensure that at least one local business has the opportunity to submit a tender for all procurements with a value between \$220,000 (GST inclusive) and \$550,000 (GST inclusive).

Implementation Plan

The Department of Treasury and Finance will amend the IPP and associated guidelines to implement the recommend changes to ECT thresholds. A communications strategy will be developed to ensure internal and external parties have a clear understanding of the threshold changes.

Complete by
31/10/2019

Procuring services from the Not-For-Profit Sector

The Commission has distinguished the Not-For-Profit (NFP) sector from business for the purpose of its inquiry because of a number of unique features of the sector, including the type of services they deliver, the way in which those services are funded and administered by government agencies, and the way they operate. The focus of the Commission’s recommendations is on the application of the NFP funding policy which has been in place since mid-2017.

What we will do:

- Evaluate the implementation of the NFP funding policy
- Improve guidance for agencies on quality assurance accreditation for procurements involving the NFP sector
- Review adequacy of current tendering timeframes in procurements involving NFPs
- Determine appropriate exemption criteria in the SAIPP for NFPs
- Remove disadvantages to NFPs due to the way they are incorporated.

<p>Recommendation 4.1: Noting the role of the NFP Funding Policy in the procurement and grants process and its recent introduction, the government independently evaluate in the second half of 2019 the implementation of the NFP Funding Policy and associated operational procurement reforms to identify any impediments to, and opportunities to strengthen, implementation, with the evaluation process to consider the views of public authorities and the NFP sector.</p>	<p>Supported</p>
<p>Response The government supports further reforms aimed at simplifying public sector procurement for the not-for-profit (NFP) sector.</p>	
<p>Implementation Plan The Department of Treasury and Finance will review the effectiveness of the NFP Funding Policy during the second half of the 2019 calendar year. This review will be undertaken in consultation with internal and external stakeholders and will consider the benefits of associated operational procurement reforms.</p>	<p>Complete by 31/12/2019</p>

<p>Recommendation 4.2: To streamline the tendering process and to support more NFPs to participate in tendering, formal quality assurance accreditation held by NFPs be recognised as part of the tendering process. The State Procurement Board, in consultation with relevant public authorities, to identify the changes required to give effect to this principle, including the development of policies and procurement practices, and provide guidance to public authorities.</p>	<p>Supported</p>
<p>Response The government supports streamlining the tendering process for NFPs, however notes that the level/type of accreditation required for the delivery of particular services may vary from procurement to procurement. As such, it is important that agencies have the flexibility to include specific evaluation requirements regarding accreditation in procurements where appropriate.</p>	
<p>Implementation Plan In consultation with stakeholders, the State Procurement Board will develop revised guidance for agencies regarding the submission and assessment of quality assurance accreditation for procurements involving the NFP sector.</p>	<p>Complete by 31/12/2019</p>
<p>Recommendation 4.3: In recognition of the complexity of the social issues being targeted by NFP-delivered services, the adequacy of current tendering timeframes in procurements involving NFPs should be considered as part of the review of the NFP Funding Policy and related matters as proposed in Recommendation 4.1.</p>	<p>Supported</p>
<p>Response The government supports the need to allow appropriate time for NFP organisations to respond to tenders.</p>	
<p>Implementation Plan As proposed by the SAPC, the adequacy of current tendering timeframes for procurements involving the NFP sector will be considered as part of the review undertaken in response to Recommendation 4.1.</p>	<p>Complete by 31/12/2019</p>
<p>Recommendation 4.4: To streamline, and cut red tape in, the tendering process for health, community and social services procurements where the services being contracted for practical purposes can only be delivered by organisations in South Australia, the Industry Advocate, public authorities contracting such services with NFPs and the State Procurement Board, determine appropriate exemption criteria in the SAIPP.</p>	<p>Supported</p>
<p>Response The government supports the establishment of appropriate IPP exemption criteria to streamline the tendering process for NFPs.</p>	
<p>Implementation Plan The State Procurement Board and Office of the Industry Advocate will coordinate the implementation of this recommendation in parallel to the NFP Funding Policy review (refer to Recommendation 4.1).</p>	<p>Complete by 31/12/2019</p>

Recommendation 4.5: In order to address the anomaly between some NFPs and entities incorporated under the *Corporations Act 2001 (Cth)*, changes should be made to the *Late Payment of Government Debts (Interest) Act 2013* to remove any disadvantage to NFPs arising as a consequence of the way they are incorporated, or the invoicing system used to facilitate payment.

Supported

Response

This recommendation has already been actioned through an amendment to Treasurer's Instruction 11, which took effect on 1 July 2019.



Government
of South Australia