

Local Government Procurement Initiative

We worked with the Australian Security Industry Association Limited and United Voice to strengthen the procurement practices of local councils, starting with how they procure security services.

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Overview

We embarked on a series of compliance activities examining the various labour supply chain arrangements entered into with security service providers by 23 local councils. This followed a comprehensive information and awareness campaign in partnership with the Australian Security Industry Association Limited and United Voice.

We have now completed the Inquiry. For information on the findings, read the [Inquiry into the procurement of security services by local governments](http://www.fairwork.gov.au/ArticleDocuments/1376/inquiry-into-the-procurement-of-security-services-by-local-governments.pdf.aspx) (PDF 1.2MB) (www.fairwork.gov.au/ArticleDocuments/1376/inquiry-into-the-procurement-of-security-services-by-local-governments.pdf.aspx)

What does workplace relations have to do with procurement?

Like anyone, local councils need to get value for money when procuring services, such as security services.

However, focusing on getting services for the lowest price can result in cutting costs to stay competitive.

When this happens, it often impacts employees through underpayment of wages or misclassification as independent contractors.

Why should I care about what happens in my supply chain?

Choosing the provider that offers the lowest price without looking more closely and asking questions about how they can offer such low prices can:

- damage your organisation's reputation
- expose you and your organisation to financial penalties if you're found to be an accessory to a breach of the Fair Work Act 2009.

This means that ignoring a provider's unlawful practices can pose a risk.

We conducted a supply chain-focused compliance campaign to identify unlawful practices among those providing security services to local councils. The campaign started with local councils at the top of the chain and worked down to security providers.

How can I strengthen my procurement practices?

If you work for local council it's your job to choose a quote that ensures compliance from one that doesn't. And if you are a security provider and subcontract some of your services to other providers, there are some simple things you can do to strengthen your procurement practices.

Understand the cost of employment

The contractor you choose needs to pay their employees at least the minimum pay rates, including penalties, overtime and allowances. Then there are indirect costs like superannuation, workers compensation, payroll tax and insurance and licenses. These need to be included in the charge-out figure as well.

Minimum pay rates vary depending on the award or agreement the employees of your contractor are covered by.

Example: How low is too low?

Malinda works for Sunshine Valley Local Council. She's been quoted a \$28.00 per hour charge out rate for a contract which needs coverage during the hours:

- Monday – Friday 8pm – midnight
- Saturday 12pm – midnight

The contract tender says the employees will be:

- adults employed on a part-time or full-time basis
- covered by the Security Services Industry Award 2010
- performing duties which fall under the Security officer level 1 classification.

She checks the Security Services Industry Award 2010 Pay Guide and discovers the minimum pay rates are:

- \$25.87 per hour for hours worked between Monday – Friday 8pm – midnight
- \$31.89 per hour for 12pm – midnight on Saturday.

Malinda thinks the \$28.00 per hour might not be enough to cover the minimum wages for the employees as well as the indirect costs incurred by the contractor.

Malinda decides to ask the contractor a few questions about how they calculated their quote. It seems too good to be true.

Tools and resources

- [Pay Calculator \(www.fairwork.gov.au/pay/pay-calculator\)](http://www.fairwork.gov.au/pay/pay-calculator)
- [Subscribe to email updates \(www.fairwork.gov.au/website-information/staying-up-to-date/subscribe-to-email-updates\)](http://www.fairwork.gov.au/website-information/staying-up-to-date/subscribe-to-email-updates)
- [Questionnaire for Potential Contractors \(DOCX 37KB\) \(www.fairwork.gov.au/ArticleDocuments/766/Questionnaire-for-potential-contractors.docx.aspx\)](http://www.fairwork.gov.au/ArticleDocuments/766/Questionnaire-for-potential-contractors.docx.aspx) (PDF 120.3KB) (www.fairwork.gov.au/ArticleDocuments/766/Questionnaire-for-potential-contractors.pdf.aspx)
- [Sample Clauses \(DOCX 37.9KB\) \(www.fairwork.gov.au/ArticleDocuments/766/Sample-clauses-for-contractors-template.docx.aspx\)](http://www.fairwork.gov.au/ArticleDocuments/766/Sample-clauses-for-contractors-template.docx.aspx) (PDF 32.6KB) (www.fairwork.gov.au/ArticleDocuments/766/Sample-clauses-for-contractors-template.pdf.aspx)
- [Fair Work Act 2009 s.550 \(http://www.comlaw.gov.au/Series/C2009A00028\)](http://www.comlaw.gov.au/Series/C2009A00028)  (<http://www.comlaw.gov.au/Series/C2009A00028>)

Related information

- [Independent contractors \(www.fairwork.gov.au/find-help-for/independent-contractors\)](http://www.fairwork.gov.au/find-help-for/independent-contractors)
- [Contracting labour and supply chains \(www.fairwork.gov.au/find-help-for/contracting-labour-and-supply-chains\)](http://www.fairwork.gov.au/find-help-for/contracting-labour-and-supply-chains)

Think a mistake might have been made?

Mistakes can happen. The best way to fix them usually starts with talking.

Check out our [Fixing a workplace problem \(www.fairwork.gov.au/workplace-problems/fixing-a-workplace-problem/default\)](http://www.fairwork.gov.au/workplace-problems/fixing-a-workplace-problem/default) section for practical advice on:

- figuring out if a mistake has been made
- talking to your employer or employee about fixing it
- getting help from us if you can't resolve it.

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Fair Work Infoline: 13 13 94

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For TTY: 13 36 77. Ask for the Fair Work Infoline 13 13 94

Speak & Listen: 1300 555 727. Ask for the Fair Work Infoline 13 13 94

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