MOTION

That Newcastle City Council:

1. Notes that the Federal Government has introduced an Indigenous Procurement Policy (IPP), which includes a target that 3 per cent of Commonwealth contracts be awarded to Indigenous businesses - reflecting that Indigenous Australian are 3 per cent of the Australian population;

2. Notes that Minister for Indigenous Affairs, Senator the Hon. Nigel Scullion, advises Council that the IPP has so far exceeded Federal Government expectations, resulting in 956 Indigenous businesses around the country winning $594 million in Commonwealth contracts;

3. Recognises that local government, as with all levels of government, has an important role to play in ensuring that policies are in place to provide more opportunities and better outcomes for Aboriginal and Torres Strait Islander Australians;

4. Notes The City of Newcastle’s ongoing commitment to Aboriginal and Torres Strait Islander Peoples, first adopted in April 1998, including a formal commitment of Council to reconciliation;

5. Works with the Commonwealth, to explore suitable options for the introduction of an Indigenous Procurement Policy at Newcastle City Council, with the target of reaching at least 3 per cent of council contracts being awarded to Aboriginal and Torres Strait Islander businesses.

Background:

Indigenous Procurement Program

The purpose of the Indigenous Procurement Policy (IPP) is to leverage the Commonwealth’s annual multi-billion procurement spend to drive demand for Indigenous goods and services, stimulate Indigenous economic development and grow the Indigenous business sector.

The IPP was launched on 1 July 2015 and has three main parts:

- A target number of contracts that need to be awarded to Indigenous businesses.
- A mandatory set-aside for remote contracts and contracts valued between $80,000 - $200,000.
- Minimum Indigenous participation requirements in contracts valued at or above $7.5m in certain industries.
Commonwealth Indigenous Procurement Outcomes

In the first two years since the IPP began, from 1 July 2015 to 30 June 2017, 4,880 contracts were awarded to 956 Indigenous-owned businesses with a total value of $594 million.

This cumulative figure includes $24 million in contracts awarded to Indigenous businesses in 2015–16 that was not reported until 2017.

The Indigenous Procurement Policy continued to perform well into the second year.

The Commonwealth awarded 3,291 new contracts to 723 Indigenous businesses valued at $285.5 million.

Contracts were awarded across all industry sectors.

Contracts were awarded to Indigenous-owned businesses in all states and territories.

In October 2017, Senator the Hon. Nigel Scullion wrote to Newcastle City Council, to encourage Council to implement our own version of the IPP.


Minister Scullion has encouraged Newcastle City Council to contact the Eastern New South Wales Regional Manager of the IPP on (02) 8262 0800 to discuss this issue further.
Attachments:

- A Commitment by Newcastle City Council to Aboriginal and Torres Strait Islander Peoples of the City of Newcastle
- Correspondence from Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs, encouraging council to play a role in the Indigenous Procurement Program (IPP).
A Commitment by Newcastle City Council
To Aboriginal and Torres Strait Islander Peoples
of the City of Newcastle

The Council of the City of Newcastle acknowledges that Aboriginal and Torres Strait Islander peoples, in this council area Awabakal and Worimi, were the first peoples of this land, and are the proud survivors of more than two hundred years of continuing dispossession.

Newcastle Council recognises that the British invasion initiated massive changes to the land and its peoples.

As a vital step towards building a just, common future, Newcastle Council recognises the loss and the grief held by Aboriginal and Torres Strait Islander peoples. Council acknowledges that this loss and grief has been caused by alienation from their traditional lands, the loss of their lives and their freedom, and the forced removal of their children.

Newcastle Council supports the right of Aboriginal and Torres Strait Islander peoples to live according to their own values and cultures.

Newcastle Council recognises the vital importance of Aboriginal and Torres Strait Islander peoples’ contribution to strengthening and enriching our city and region.

Newcastle Council, in consultation with local Aboriginal and Torres Strait Islander peoples is committed to:

- respecting and conserving their cultural practices, traditional sites and significant places,
- promoting activities which increase cultural sensitivity and awareness of Aboriginal and Torres Strait Islander peoples,
- developing an agreement between local Aboriginal and Torres Strait Islander communities and other community members for the care of the local environment,
- working towards the recovery of their languages, health, cultural practices and lost kinship.

Newcastle Council will look towards Aboriginal and Torres Strait Islander cultures for practical knowledge which could help to secure a sustainable future for our community.

Newcastle Council, in negotiation with local Aboriginal and Torres Strait Islander peoples, will further reconciliation between Aboriginal and Torres Strait Islander communities and other community members by working together for a treaty and/or other agreements of reconciliation.

Newcastle City Council, in negotiation with local Aboriginal and Torres Strait Islander peoples, will develop an action plan to redress disadvantages and attain justice for Aboriginal and Torres Strait Islander peoples of this community.

Signed for and on behalf of Newcastle City Council by:

The Right Worshipful
The Lord Mayor of Newcastle
Councillor Greg Heys

Mr Robert Gibbons
General Manager, Newcastle City Council

Signed for and on behalf of the Aboriginal Community of the Newcastle Local Government Area by:

Mrs Iris Russell
ATSIC Commissioner NSW East Zone
Mr Jim Wright
Mr Rodney Smith

14 April 1998
Cr Nualali Nelmes  
Lord Mayor  
Newcastle City Council  
PO Box 489  
NEWCASTLE NSW 2300

Dear Cr Nelmes,

I am writing to inform you about the steps the Commonwealth Government has taken to support Indigenous businesses and to offer assistance for the Newcastle City Council to procure more goods and services from Indigenous businesses.

On 1 July 2015, the Commonwealth introduced the Indigenous Procurement Policy (IPP), which included a target that 3 per cent of Commonwealth contracts be awarded to Indigenous businesses – reflecting that Indigenous Australians are 3 per cent of the Australian population. An important feature of the IPP is its transparency and accountability, the results of each government department are published every year – you can find the 2016 results on: www.dpmc.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp.

The Commonwealth already has an annual multi-billion procurement spend, but by giving procurement officers the imprimatur to work with Indigenous businesses that may not have won government contracts before, the Commonwealth is able to leverage this substantial spend to achieve significant outcomes for Indigenous Australians.

In this way, the IPP is a genuine win-win for taxpayers and government. All IPP contracts must demonstrate value-for-money protecting taxpayers’ funds but by procuring more from Indigenous businesses the government is supporting more Indigenous jobseekers to find work. That is because we know that Indigenous businesses are far more likely than non-Indigenous businesses to hire Indigenous employees. This helps address one of the collective challenges of all governments, that the Indigenous unemployment rate is 3.6 times the non-Indigenous rate.

I am pleased to say that the IPP has exceeded all expectations. In the first two years since its introduction in 2015, it has resulted in 956 Indigenous businesses around the country winning $594 million in Commonwealth contracts. These contracts are across the entire spectrum of industries from construction, to uniforms, information and communications technology, recruitment, legal and financial services. Importantly this means more Indigenous Australians in work and compares to just $6.2 million being won by Indigenous businesses under the Commonwealth’s former policies in 2012-13.
The Newcastle City Council, like other Australian governments can play an important role in this initiative. You deliver vital services to local communities every day and can similarly leverage your purchasing power to buy from Indigenous-owned businesses.

The Commonwealth has learned some key lessons from implementing our policies, and the challenges of the former policies. We have also developed useful resources to support the IPP, including funding Supply Nation to deliver a directory of Indigenous businesses called Indigenous Business Direct that makes purchasing from Indigenous businesses easier.

I would be happy to work with you on introducing your own version of the IPP or building on your existing policies.

This is in line with the Council of Australian Governments (COAG) meeting of 9 December 2016, where all governments recognised that we hold significant levers to increase Indigenous employment and support Indigenous businesses through public sector employment policies and government purchasing practices. Clearly local government has an important role to play in this, and by adopting similar approaches we can collectively deliver significant outcomes for Indigenous communities.

I look forward to working with you and ensuring that all governments have the policies in place to provide more opportunities and better outcomes for Indigenous Australians. If you would like to discuss these matters further, I would encourage you to contact the Eastern New South Wales Regional Manager on (02) 8262 0800.

I have written in similar terms to all local government bodies, as well as state and territory Ministers with responsibility for Indigenous Affairs.

Yours sincerely

NIGEL SCULLION

4/10/2017
Indigenous Procurement Policy

What is the Indigenous Procurement Policy?
The policy commenced 1 July 2015. It applies to all non-corporate Commonwealth entities subject to the Commonwealth Procurement Rules (CPRs). However, entities that are not required to comply with the CPRs are encouraged to adopt the policy as best practice.

The policy has three parts:
• A target number of contracts that need to be awarded to Indigenous businesses.
• A mandatory set-aside of contracts for Indigenous businesses to apply in certain situations.
• Mandatory minimum requirements for Indigenous employment and Indigenous supplier use applying to certain Commonwealth contracts.

Commonwealth buyers can purchase directly from Indigenous small to medium enterprises (SMEs) for contracts of any size and value using the Indigenous business exemption (Exemption 17) in the CPRs.

This provides Indigenous businesses with a big advantage - they do not need to complete costly tender processes. Indigenous business must still demonstrate value for money, but this can be done through a simpler quote process.

Under the policy, what is an Indigenous business?
An Indigenous business is any business that is 50 per cent or more Indigenous owned.

Supply Nation maintains a free register of Indigenous businesses at: www.supplynation.org.au

What is a small to medium enterprise (SME)?
An SME is defined by the Department of Finance as an Australian firm with fewer than 200 full-time equivalent employees.

Key elements of the new policy

1. What is the target?
Three per cent of new domestic Commonwealth contracts will be awarded to Indigenous suppliers in 2019-20. Interim targets apply annually to drive and track performance. The interim targets are:
• 0.5 per cent in 2015-16
• 1.5 per cent in 2016-17
• 2.0 per cent in 2017-18
• 2.5 per cent in 2018-19.

In 2015-16, the target will result in at least 250 new domestic contracts being awarded to Indigenous businesses across the Commonwealth, increasing to more than 1,500 contracts in 2019-20 when the full 3 per cent target applies.
The target has been allocated across portfolios, based on past contracting share. Individual portfolio performance against the target will be published each year.

2. How will the mandatory set-aside work?
While Indigenous businesses can bid for any contracts, from 1 July 2015 there are requirements for Departments to look first to Indigenous businesses for all contracts in remote areas regardless of value; and all other domestic contracts valued between $80,000 and $200,000.

For these contracts, agencies will first have to check whether an Indigenous SME can deliver the goods or services on a value for money basis before approaching the market.

To satisfy the mandatory set-aside, the Commonwealth buyer will need to:

- Check whether there is an Indigenous business that has the necessary capability, and if so, investigate whether the Indigenous SME offers value for money.
- If it does, the contract must be offered to the Indigenous SME.
- If there is no suitable Indigenous SME, then the Commonwealth buyer can select another contractor through its normal purchasing process.

3. What contracts do the mandatory minimum requirements apply to?
Mandatory minimum requirements will apply to all contracts delivered in Australia that are valued at $7.5 million or more, where the majority of the goods or services are in one of the following specified industries:

1. Building, construction and maintenance services
2. Transportation, storage and mail services
3. Education and training services
4. Industrial cleaning services
5. Farming and fishing and forestry and wildlife contracting services
6. Editorial and design and graphic and fine art services
7. Travel and food and lodging and entertainment services
8. Politics and civic affairs services

What are the mandatory minimum requirements?
The minimum requirements are:

- Contract-based requirement: achieve at least 4 per cent Indigenous employment and/or supplier use on average over the term of the contract; OR
- Organisation-based requirement: achieve 3 per cent Indigenous employment and/or supplier use across the organisation on average over the term of the contract.

In addition, where part of the contract is to be delivered in a remote area, the government agency and the contractor will agree to significant Indigenous employment or supplier use requirements in that area.

The minimum Indigenous participation requirements must be included in approaches to market released after 1 July 2015.