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The findings in this report are based on a qualitative study undertaken through staff interviews, consultations, case studies and policy reviews. The report reflects outcomes only to the extent of the sample surveyed. Any wider projection is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by stakeholders consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

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The findings in this report have been formed on the above basis.

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Executive summary

In recent years, the Northern Territory Government (NTG) has introduced two prominent procurement policies aimed at improving Indigenous and remote economic and employment outcomes. The Indigenous Employment Provisional Sum (IEPS), implemented in October 2014, aims to provide employment opportunities and build the capacity of Indigenous businesses to share in the delivery of construction projects. The Remote Contracting Policy (RCP) was introduced in July 2015 with the objective of promoting remote and Indigenous economic development through Government procurement.

When launching the above policies, Government envisaged that they would be reviewed approximately 12 months after their introduction. In May 2016, KPMG was engaged to independently evaluate the effectiveness and outcomes of the IEPS and RCP in terms of policy objectives and economic impact by region, and to provide findings and recommendations. During the course of the engagement, data limitations hindered the assessment of local economic impact. It was therefore agreed with the Steering Committee to profile eight businesses across the Territory as case studies, to highlight the direct benefits received by that enterprise, attributable to the policies.

The evaluation revealed a number of findings in relation to both the IEPS and RCP. In summary:

- The overall intent of both policies is widely supported;
- There is limited community understanding of the details of the policies, particularly relating to RCP;
- Of both policies, IEPS has most clearly evidenced tangible outcomes;
- The current approach to IEPS in tenders is having unintended impacts on pricing and subcontractors;
- There are opportunities to improve costs of compliance with the policies and to reduce red tape;
- Acceptance and understanding of the policy would have been enhanced by a more consistent and clearer communication strategy;
- Lack of transparency in the application and outcomes of RCP is of concern to many businesses;
- Planning and continuity of projects is key, particularly in remote areas; and
- Government procurement policies need to be paired with Indigenous business capability development initiatives to really be effective.

Following on from these findings, the review identified a number of improvement opportunities for the IEPS and RCP policy framework and management. These have been presented as ‘options’ rather than ‘recommendations’, as each requires further exploration in conjunction with the relevant Agencies within Government:

**Option 1** – Merge the two policies and appoint one responsible agency.

**Option 2** – Prioritise the development of a pipeline of works to be released over a prolonged period.

**Option 3** – Change the approach to how IEPS is priced in tenders.

**Option 4** – Broaden the application of IEPS to tier 2 and above procurement.

**Option 5** – Establish a standard IEPS reimbursement regime.

**Option 6** – Explore an accreditation model for eligible remote enterprises.

**Option 7** – Establish better linkages between the policy and NTG training offerings.

**Option 8** – Implement a whole-of-Government reporting regime to monitor tangible outcomes of RCP and IEPS.
Contents

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Findings 16
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A: Detailed Project Approach 49
B: IEPS Policy Document (as publicly available) 52
C: RCP Policy Document (as publicly available) 53
The NTG spends more than $3 billion dollars annually on procurement activities. Government has introduced two procurement policies in recent years, to ensure that it is spending this money responsibly and in furtherance of its broader social and economic policy objectives. Additionally, some of this money includes tied funding and grants from the Australian Government, which bring obligations to implement particular policies as agreed by the Council of Australian Governments.

One of both the Territory and Commonwealth Governments’ highest priorities is closing the gap between the Indigenous and non-Indigenous population. This is of paramount importance in the NT, where Aboriginal people comprise 33% of the population – 80% of those living in remote communities with limited economic opportunities.

The specific policies which are the subject of this review, IEPS and RCP, seek to further this Government priority. Their scope, purpose and application are summarized below.

### Indigenous Employment Provisional Sum

The IEPS was introduced by the Department of Infrastructure, Planning and Logistics (DIPL)¹ in October 2014, as a component of the Indigenous Participation on Construction Projects Policy.

The stated purpose of this overarching policy is to provide employment opportunities and build the capacity of Indigenous businesses to successfully share in the delivery of construction projects in the Northern Territory (NT). It does so through the following measures:

- Increasing the number of tenders awarded to Indigenous Business Enterprises (has an ABN and is more than 50% indigenous owned or has at least 75% indigenous workers²);
- Improving the participation rate of Indigenous employees, trainees/apprentices directly employed through DIPL-issued contracts;
- Including appropriate weighting in assessment criteria for Indigenous participation; and
- Nominating a Provisional Sum item in the contract schedules for Indigenous employment to incentivise contractors (and subcontractors) to engage Indigenous staff for projects valued at $500,000 or more (Indigenous Employment Provisional Sum).

The provisional sum is the most prominent component of this policy. Whilst the policy does not specify a standard value for the sum, it is common practice within DIPL to apply a provisional sum that is 10% of contract value. Only wages are reimbursable – other costs such as mentoring, training expenses, Personal Protective Equipment and employment agency fees are specifically excluded. Contractors must provide an Indigenous Employment Report to evidence their claims under the policy, including signed pay sheets.

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¹ This document uses updated Department names, following machinery of Government changes in September 2016. When the policies were introduced, the relevant NTG agencies were the Department of Infrastructure (introduced IEPS), the Office of Aboriginal Affairs within the Department of Local Government and Community Services (introduced RCP, now within the Department of the Chief Minister) and the Department of Business (now the Department of Trade, Business and Innovation).

² Indigenous Participation on Construction Projects Policy.
Remote Contracting Policy

The RCP was introduced by the Office of Aboriginal Affairs (OAA) within the Department of Local Government and Community Services (DLGCS), as part of Government’s Aboriginal Affairs Strategy. Following machinery of Government changes in September 2016, OAA is now within the Department of the Chief Minister (DCM).

The RCP’s stated function is to support remote and Indigenous economic development, particularly in remote areas through the pragmatic contracting for remote government goods and services. It seeks to achieve this through a number of measures, including:

- setting employment and business development targets for achievement by 2017;
  - to support 2000 private sector Indigenous jobs;
  - to award 70% of contracts in remote areas to “local businesses”; and
  - to award at least 5 contracts over $5 million per year to joint ventures with local businesses;
- implementing new contract planning requirements; and
- providing professional services support to local Indigenous businesses.

The Northern Territory Government Policy Context

The RCP and IEPS do not exist in a vacuum. Indigenous economic development is a focus area of the NTG, and it adopts a multi-faceted approach to addressing these and interrelated issues. The below graphic represents some of the sources of funding, policies and strategies that are connected to these policies, or are targeted at achieving the same or similar objectives.

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3 Throughout this Report, the term “Indigenous” is used rather than “Aboriginal” for consistency (except where used in a direct quote). KPMG notes that both terms are used interchangeably within Government policies (“Indigenous” in IEPS and “Aboriginal” in RCP).
As depicted above, the following Government frameworks, policies, grants or initiatives are all relevant to this review:

- **Procurement Framework** (comprising the Procurement Act, Regulations, Code, Circulars and Directions) – Sets out the rules and processes for the expenditure of Government funds on goods and services, in order to obtain the primary objective of value for money;

- **Aboriginal Affairs Strategy** – Issued by the OAA, sets out the direction and pathways to improving the economic and social wellbeing of Indigenous people in the Territory. Primary objective is Indigenous economic and social development. The Remote Contracting Policy is described as “first amongst equals in the suite of policies”, as social development is accelerated and enhanced by economic development;

- **Business Growth Initiatives** – Funding available to all NT businesses that meet certain criteria. Designed to support local industry and promote business growth and capability development;

- **Buy Local Plan** – NTG’s plan to ensure that the largest possible proportion of every dollar spent by Government is retained within and delivers benefits for the NT economy and community. Primary objective is retained economic benefits;

- **Indigenous Workplace Participation Initiatives Program** – Rounds of funding that support initiatives to increase the workforce participation and career development of Indigenous Territorians;

- **Remote Economic Development Fund** – funding available for capacity building and governance initiatives of all sizes that stimulate economic development, create employment and benefit communities;

- **Indigenous Responsive Program** – Funding for regional and remote communities, to train workers for projects in the community. Priority is given to remote and regional applicants;

- **Building Northern Territory Industry Participation (BNTIP) Policy** – NTG policy aiming to increase local industry participation in projects by giving competitive businesses the opportunity to participate in the growth of the Territory and enhance business/industry capability.; and

- **Special Initiatives** – Government action or initiatives in response to special circumstances. The Galiwin’ku recovery efforts provide a good example – where the Territory Government partnered with Arnhem Land Progress Aboriginal Corporation (ALPA) to develop innovative labour market models for local Yolngu workers involved in the rebuilding projects.

**Approach to Independent Evaluation**

The NTG engaged KPMG to evaluate the operation and effectiveness of the RCP and IEPS, after 12 months of implementation. KPMG agreed with the Project Steering Committee that the review would be heavily focused on community consultation. Two rounds of consultation were conducted in six regions across the Territory, including over 50 stakeholders from Industry, Local Government, Representative Associations, Indigenous Businesses and non-Indigenous Businesses of all sizes. The consultations occurred in Darwin, Tennant Creek, Alice Springs, Wadeye, Nhulunbuy and Katherine.

Round 1 of the consultations sought to ascertain stakeholder views and understanding of and experiences with both policies. Round 2 focused on potential improvements that could be made to the policy framework and application. Further detail on the stakeholders engaged and the consultation method is contained at Appendix 1 ‘Approach’.

In parallel, KPMG produced case studies of eight Territory businesses to demonstrate the direct benefits attributable to the policy for that enterprise. This involved determination of direct wage benefits and reduction of Government payments received by Indigenous employees under the policies. Further detail on the case study method of calculation is contained on page 10 of this Report.

From analysis of these sources of information, KPMG determined findings and options for improvement in relation to each policy (and, where relevant, both policies collectively).
Observations

This section outlines the information gathered and observations made by KPMG’s review team. The findings and associated options for improvement arising from this review are presented in later sections of this report.

Desktop Review of Policies

Prior to commencing consultations, KPMG conducted a desktop review of both policies (as published) against a best practice framework.

<table>
<thead>
<tr>
<th>Best Practice Policy Element</th>
<th>RCP</th>
<th>IEPS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stated Purpose</strong></td>
<td>To support Indigenous economic development in remote areas through the pragmatic contracting for remote government goods and services.</td>
<td>To provide employment opportunities and build the capacity of Indigenous businesses to share in the delivery of construction projects.</td>
</tr>
<tr>
<td>KPMG notes, in practice, some confusion regarding whether this is a “remote” or “Indigenous”-focused policy. There may be an opportunity to refine the stated purpose to address this.</td>
<td>Aspects of the policy relating to capacity-building are not as clearly spelled out as the provisional sum, with limited detail provided regarding scope and targets. The core policy measure is the Provisional Sum.</td>
<td></td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>Applies whenever OAA “direct[s] NTG services and projects through open or select tender or open tender with joint venture requirements towards local Indigenous businesses”.</td>
<td>Applies to all tenders for NTG construction contracts for Tier 4 and Tier 5 procurement activities (estimated value of $500,000 or higher).</td>
</tr>
<tr>
<td>In practice, OAA’s role is not as proactive as set out in the scope, with Agencies largely afforded discretion to determine whether the policy applies without reference of OAA.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sponsor</strong></td>
<td>Whole-of-Government policy administered by OAA (DLGCS), supported by DTBI as the Agency responsible for procurement policy.</td>
<td>DIPL is policy owner and sponsor.</td>
</tr>
<tr>
<td><strong>Measureable targets</strong></td>
<td>A quantitative regime of employment and business development targets set for achievement by 2017.</td>
<td>Nil stated in the policy document, but referenced in the RCP policy as included in its employment targets.</td>
</tr>
<tr>
<td>KPMG understands that DIPL is internally targeting reimbursement of a Provisional Sum figure of 10% of the Contract Value on all eligible Projects, but is pragmatic about the time required to achieve this.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best Practice Policy Element</td>
<td>RCP</td>
<td>IEPS</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----</td>
<td>------</td>
</tr>
<tr>
<td>Clear Definition of key terms</td>
<td>No definition of “local Indigenous business” or “local business” in the external-facing policy document.</td>
<td>Glossary includes definitions of “Indigenous Business Enterprise” (which differs from the RCP’s “Eligible Enterprise” definition).</td>
</tr>
<tr>
<td>DTBI (Procurement NT factsheet) provides further guidance on “Eligible Enterprises” and how to interpret “local”, however this is only available internally.</td>
<td>“Indigenous person” is defined as a person of Australian Aboriginal or Torres Strait Islander descent who identifies themselves as Indigenous and accepted in the community in which they live as an Indigenous person. This policy requires no ‘proof of Aboriginality’.</td>
<td></td>
</tr>
</tbody>
</table>

| Sole Authoritative Document | Two sources of different information (wording which may confuse stakeholders) available online - from DLGCS (OAA) and DTBI (Procurement NT). | Policy document issued by DIPL (‘Indigenous Participation in Construction Contracts’). Separate Guidelines document also available. |

Table 1 - A desktop review of policies against Best Practice framework. (Source – KPMG)
Consultation Summary

The following is a high-level summary of feedback provided in consultations, including regional variations where apparent.

General

- There is overall support for the policies’ intent, with many businesses consulted reporting anecdotal evidence of positive outcomes;
- There is broad acceptance and approval of Government taking action within this policy area;
- Stakeholders displayed a lack of understanding of the two policies, resulting from the limited supporting / explanatory information provided by Government in their roll-out;
- Stakeholders perceive that there is a low level of contract management/enforcement of policy requirements post-Contract award; and
- There was widespread agreement that planning and continuity of projects is the key to sustainable outcomes.

Remote Contracting Policy

- Many of those consulted expressed concerns over the lack of transparency in awarding contracts;
- There were several instances reported of “black cladding” joint ventures being formed to take advantage of the policy; and
- Consultations revealed some poor clarity regarding the policy’s meaning and intent, particularly regarding the distinction between “remote” and “Indigenous”.

Indigenous Employment Provisional Sum

- Industry reported uncertainty over how to price the PS into tenders (discount or bonus);
- The consultations revealed many issues between head contractors and subcontractors regarding the flow-through of reimbursement and instances of shopping for lower prices;
- There was a view amongst smaller businesses that the IEPS policy is having a tangible, beneficial effect, but it should apply at all Tiers (and for all project sizes); and
- The policy framework is susceptible to (and is) being taken advantage of – e.g. claiming for non-Indigenous workers, claiming disproportionately high labour rates, etc.

Regional observations

- Darwin: Focus on head/subcontractor relationships, IEPS generally supported
- Wadeye: Policies should focus on training and job readiness, with particularly emphasis on English language skills, given language proficiency in the region.
- Katherine: Conflicts between project urgency and skill development of indigenous employees
- Nhulunbuy: Long term planning essential, consistent work will benefit communities
- Tennant Creek: RCP preferences new Indigenous Businesses over existing, smaller businesses unable to access IEPS due to size of contracts in the region
- Alice Springs: Implementation deficiencies highlighted, workforce availability is a challenge

Figure 2 – Regional variations on feedback as noted during consultations. (Source - KPMG)
Consultation Themes

During both rounds of consultations, several consistent themes were evident across discussions with different stakeholders and regions. These themes were reported back to NTG following the Round 1 of consultation, and further discussed and confirmed with stakeholders in Round 2. The themes are summarised below:

Sustainability

Stakeholders agreed the long-term outcomes and sustainability of both policies was critical. However, views differed on how to achieve Indigenous and remote employment and economic development in a sustainable way. The RCP and IEPS have different focuses – whilst the IEPS seeks to increase Indigenous employment within established businesses, the RCP promotes the growth of Indigenous Business Enterprises with high levels of Indigenous employment. Stakeholder views were divided on which of these approaches would entrench real change.

- Some felt that the length of projects funded through the IEPS does not necessarily support long-term employment opportunities for Indigenous people in remote areas. Projects may only last months, and Indigenous people do not see ongoing employment opportunities after this;
- Given that a high proportion of businesses fail in their first few years of operation, there were questions whether Government should invest its resources into proven, established businesses that will stand the test of time. By their reasoning, Government should support employment rather than the growth of Indigenous owned businesses to achieve positive change; and
- Several Indigenous stakeholders made the observation that Indigenous employees tend to stay longer at businesses with other Indigenous employees, compared to if they are the sole Indigenous staff member.

Policy Compliance and Enforcement

Stakeholder consultations highlighted the need for strong and consistent oversight, particularly in relation to IEPS. Numerous anecdotes were provided regarding the means by which businesses had circumvented the policy requirements. Whilst these reports are unverified, they indicate the prevailing view that ambiguity and limited monitoring leaves the IEPS vulnerable to exploitation. Specific examples include:

- Reports of inconsistent contract management and compliance checking by DIPL, with certain contract managers applying a higher level of scrutiny (e.g. on-site visits) than others;
- Limited verification and ambiguous guidance regarding definition and monitoring of “Indigenous” (e.g. claiming for an employee that was “Indigenous to Indonesia”); and
- The definition and treatment of “local” under the Remote Contracting Policy remained a source of confusion.

Pricing

Many stakeholders raised concerns regarding the impact that these policies were having on pricing practices within the industry. In extreme cases, this – coupled with the inability to claim for on-costs - has led to views that businesses are disadvantaged or “punished” for complying with the policies. There was widespread feedback from businesses that the IEPS reimbursement amount shouldn’t be limited to pure labour costs. The policy should allow reimbursement of training, supervision, administration of payslips/receipts and other “on-costs” attributable to compliance. Some larger businesses were aware that the IEPS reimbursement policy had changed over time, but this was not clearly communicated or implemented and experiences apparently varied depending upon the NTG contract officer allocated to the particular project.
There is also an added element of pricing complexity in IEPS projects when there are subcontractors involved:

- The NTG requirement to provide signed timesheets and rates for IEPS reimbursement, caused concern to many businesses. Many subcontractors reported a reluctance to provide pricing information which may reveal their profit margins; and
- Examples were provided where head contractors pressured subcontractors to provide a primarily Indigenous workforce to satisfy the whole contract’s 10% provisional sum requirement. If unable to do so, subcontractors faced additional pressure from head contractors to reduce their price.

The Role of Training

The relationship between employment and training was a frequent theme of consultations across all regions and stakeholder types. A common viewpoint was that the intended employment and economic outcomes would not be achievable and sustainable unless training was also included in the policy framework. Views expressed on training included:

- Prevailing view that a policy focus on employment is not enough – people need to be trained and engaged in productive labour in order to contribute to the workforce;
- Training for training’s sake will not work. There needs to be assurance that the training is leading to something. Procurement planning and continuity of projects in regional and remote communities is essential to forecasting training needs;
- The inability to claim training or resource management costs under IEPS provides businesses with no incentive to up-skill their Indigenous employees, let alone commit to sponsoring them through multi-year apprenticeships;
- Governance training is also required for Indigenous businesses considering partnering with established businesses to become an Eligible Enterprise under the RCP. Many Indigenous businesses are not commercially savvy and are exploited in these arrangements; and
- Registered Training Organisations and labour hire companies have an integral role to play in the policy framework. Given the short-term nature of construction projects, it is not feasible to expect businesses to assume full responsibility for long term staff training and development.

Implementation

The feedback collected by KPMG reinforced the importance of policy implementation supported by a strong communication and change management process. It appeared that, particularly in regional areas such as Alice Springs and Tennant Creek, misinformation or misunderstanding of the policies was a root cause of stakeholder dissatisfaction. Relevant feedback provided in relation to this theme included:

- The announcement of these policies came as a surprise to industry (in the case of IEPS, it started appearing in tender documents with no fore-warning), meaning that business preparedness was initially very low;
- There is a perception that guidance on how to comply with the policies has been provided reactively in response to concerns or questions raised by industry. Often, the guidance is different (with differing levels of detail) depending on where you look, or who you ask;
- External stakeholders perceive an inconsistency and lack of understanding of the policies internally within Government, which exacerbates their confusion; and
- The implementation approach used thus far of “one-off roadshows” is viewed cynically, particularly in regional centers. Stakeholders seek continuity and consistency of messaging to effectively convey the policy intent and impacts.
**Case Studies**

Due to data limitations, the original proposed approach of assessing economic impact of the policies by regions was amended in favour of developing case studies on selected businesses across the NT. Businesses selected represented a cross-section of experiences with the policies – including different region of operation, business size and business type (e.g. whether Indigenous or non-Indigenous owned). The purpose of the case studies was to determine the direct benefit of the RCP and/or IEPS for that enterprise. The direct benefit concept is explained in further detail below.

**Direct and Indirect Employment Benefits**

The benefits associated with employment can be broadly broken into two categories, direct benefits, which are quantifiable in nature, and indirect benefits, which tend to be qualitative and abstract. Both types of benefit accrue to an individual, their family, community and governments, noting that they do not do so in a mutually exclusive manner.

These benefits of employment are particularly profound and lacking for Indigenous people living in remote areas. Many of the poor economic and social outcomes experienced by these communities are linked to lack of employment and related intergenerational disadvantage.\(^4\) The table below sets out a list of direct and indirect benefits of employment.

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>• Additional income</td>
<td>• Improvements in physical and mental well being&lt;br&gt;• Increased future employability and potential for promotion&lt;br&gt;• Increased skills and training&lt;br&gt;• Increased home ownership&lt;br&gt;• Reduction in probability of incarceration&lt;br&gt;• Lower likelihood of being a victim of violent crime&lt;br&gt;• Reduction in reliance of social security support</td>
</tr>
<tr>
<td>Family</td>
<td>• Additional income</td>
<td>• Improved child development outcomes&lt;br&gt;• Boost in family cohesion&lt;br&gt;• Reduction in intergenerational unemployment&lt;br&gt;• Improved quality of housing&lt;br&gt;• Improved health</td>
</tr>
<tr>
<td>Communities</td>
<td>• Increased expenditure (aggregated demand)&lt;br&gt;• Modelled behaviour and demonstrating leadership</td>
<td>• Increased social capital and cohesion</td>
</tr>
<tr>
<td>Government</td>
<td>• Increased taxation revenue&lt;br&gt;• Reduction in welfare, health, criminal justice and other social security payments and programs</td>
<td>• Happier and healthier citizens&lt;br&gt;• Reduction in crime</td>
</tr>
</tbody>
</table>

*Table 2 - Direct and indirect benefits of employment for individuals, families, communities and government. (Source: Adapted from M.Gray, B. Hunter, Biddle N. The Economic and Social Benefits of Increasing Indigenous Employment, CAEPR Topical Issue No. 1/2014, CAEPR Australian National University, Canberra)*

In this context, the impact of preferential contracting arrangements for Indigenous enterprises or contracts delivered into these communities offer an opportunity to boost employment and in turn improve the living experience of people across these domains.

Direct Benefit Methodology

For each of the following case studies a dollar value has been derived to quantify the direct benefit attributable to RCP or IEPS contracts. It is important to note that this does not capture the indirect benefits listed above, many of which will result in monetary benefits in avoided cost but are not quantifiable at an enterprise level (i.e. avoided costs of imprisonment). The methodology for calculating this is set out below:

1. Field survey conducted of enterprises that received funding via the RCP or IEPS. Each enterprise provided the following information:
   a. General information – name of company, revenue, geographic region of operation
   b. Information specific to ‘relevant contracts’ (either where the business is aware that RCP or IEPS applied, or contracts involving work delivered in any of the 73 prescribed remote communities of the NT)

2. For the relevant contracts, the following information was collected:
   a. Employee name or identifier;
   b. Contract type;
   c. Contract period;
   d. Hourly rate paid to each employee;
   e. Hours worked;
   f. Occupation;
   g. Period of employment;
   h. Prior employment status;

3. The direct benefits of the contracts were determined by two related calculations.

   **Calculation 1) Additional Wages**

   Additional wages were calculated as the hours worked multiplied by the hourly rate of each individual that worked on relevant contracts. The calculation included both the wages of newly employed individuals, and those who were already employed before the contracts were awarded. The wages of existing employees were included on the assumption that the awarding of the contract contributed significantly to the ongoing viability of the enterprise.

   **Calculation 2) Avoided Welfare**

   The second calculation estimated the value of avoided welfare payments resulting from increased earnings. For this calculation, it was assumed that all employees that had previously been unemployed and were receiving a welfare payment, specifically the Newstart Allowance at the single fortnightly rate of $528.70⁵.

   The total amount of money paid to an individual receiving the Allowance reduces as their income increases, as Table 3 indicates:

<table>
<thead>
<tr>
<th>Fortnightly earnings</th>
<th>Reduction in payment</th>
<th>Payment received</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.00 to $104.00</td>
<td>$0.00</td>
<td>$528.70</td>
</tr>
<tr>
<td>$105.00</td>
<td>$0.50</td>
<td>$528.20</td>
</tr>
<tr>
<td>$255.00</td>
<td>$75.60</td>
<td>$453.10</td>
</tr>
<tr>
<td>$1,010.00</td>
<td>$528.60</td>
<td>$0.10</td>
</tr>
</tbody>
</table>

   Table 3- Reduction in Newstart payments corresponding to fortnightly income.
   (Source – KPMG, from the Department of Human Services)

⁵ Welfare payment type was not confirmed as part of the survey. This is the primary assumption for this calculation.
The additional wages earned per employee that had previously been receiving welfare was divided by the number of fortnights in employment, to give average fortnightly income.

The average fortnightly income in turn was used to calculate the fortnightly reduction in allowance. The fortnightly reduction was multiplied out again by the number of fortnights in employment to give a total reduction in welfare payments per employee. The reduction was totalled across employees to give an estimate at the enterprise level.

**Limitations of this Methodology**

There are several assumptions underlying this method of calculation which must be considered when reviewing the case studies below. The avoided welfare payment assumes that individuals newly employed due to the contracts were receiving the Newstart Allowance and were single. The Newstart Allowance and the effect of additional income on it will vary according to an individual’s age, marital status, assets they hold, if they have dependent children and other caring arrangements.

Equally, a person receiving welfare payments may not be on the Newstart Allowance and may be on a larger or non-means tested payment. Any of these changes would affect the overall welfare cost avoided due to employment.

KPMG has not sought to verify the information provided by case study participants. This information has been self-reported. For confidentiality reasons, business names and other identifiers have been removed from the case studies below.

**Results**

The results of this calculation, being the direct benefit of the policies for the selected case studied businesses, are set out in this and the following pages.
Case Study

Company B

Enterprise Revenue FY 2016: $1 - 10m
Indigenous Corporation
Mainly operates as a Subcontractor
Total headcount employed as at 30 June 2016: 4
Total headcount of Indigenous employed as at 30 June 2016: 1

Company B provided information on two contracts for which it claimed the Provisional Sum:
• Contract 1 - Valued at $450,000, 5 month duration; and
• Contract 2 – Valued at $1.7 million, 9 month duration.

The total direct benefit of the two contracts awarded to Company B was $129,150. Of the total benefit, 98% ($129,154) took the form of additional wages paid to employees with the remaining 2% ($2,952) manifesting as avoided welfare payments to the two individuals previously unemployed who worked on the contracts.

Summary of benefits derived from IEPs Contracts

<table>
<thead>
<tr>
<th></th>
<th>Contract 1</th>
<th>Contract 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$16,085</td>
<td>$110,070</td>
<td>$126,154</td>
</tr>
<tr>
<td>Avoided in welfare</td>
<td>$2,952</td>
<td>-</td>
<td>$2,952</td>
</tr>
<tr>
<td>Benefit totals</td>
<td>$19,037</td>
<td>$110,070</td>
<td>$129,106</td>
</tr>
<tr>
<td>Indigenous Employed (at peak of contract)</td>
<td>4</td>
<td>7</td>
<td>11</td>
</tr>
</tbody>
</table>

Consultation Points

Indigenous-owned business which tries to maintain a primarily Indigenous workforce, but often struggles due to availability of labour.

Generally agrees with policy intent and operation, but there are significant compliance burdens for small businesses.

Recent loss of Indigenous employees was due to a number of reasons – seasonal downturn, the lack of any big contracts at the moment and, in one case, performance issues.

Case Study

Company C

Enterprise revenue FY 2016: Date Not Provided
Mainly operates as a Prime Contractor
Total headcount employed as at 30 June 2016: 370
Total headcount of Indigenous employed as at 30 June 2016: 5

Company C provided information on three contracts for which it claimed Provisional Sum:
• Contract 1 - Valued at $1.4m, 4 month duration;
• Contract 2 – Valued at $5m, 8 month duration; and
• Contract 3 – Valued at $28.6m, 14 month duration.

The total direct benefit of the three contracts awarded to Company C was $1,680,930. The total benefit shown manifests as additional wages with the value of avoided welfare not available, as no data was provided for previous employment status of individuals employed.

Summary of benefits derived from IEPs Contracts

<table>
<thead>
<tr>
<th></th>
<th>Contract 1</th>
<th>Contract 2</th>
<th>Contract 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$52,812</td>
<td>$154,362</td>
<td>$1,473,756</td>
<td>$1,680,930</td>
</tr>
<tr>
<td>Avoided in welfare</td>
<td></td>
<td></td>
<td>Data not available</td>
<td></td>
</tr>
<tr>
<td>Benefit totals</td>
<td>$52,812</td>
<td>$154,362</td>
<td>$1,473,756</td>
<td>$1,680,930</td>
</tr>
<tr>
<td>Indigenous Employed (at peak of contract)</td>
<td>10</td>
<td>22</td>
<td>134</td>
<td>166</td>
</tr>
</tbody>
</table>

Consultation Points

Cost of training should be reimbursed. Support to fund training would provide greater opportunities to skill Indigenous workers.

RCP should be scrapped with the focus being solely on IEPs.

Removing timesheets would reduce red tape. To comply with the administration of this policy requires a full time position.
Case Study

Company D

Enterprise Revenue FY 2016: $1 – 10m
Indigenous Corporation
Mainly operates as a Subcontractor
Total headcount employed as at 30 June 2016: 51
Total headcount of Indigenous employed as at 30 June 2016: 21

Company D provided information on one contract for which it claimed Provisional Sum.

- Contract 1 – Valued at $1.5m, 6 month duration.

The total direct benefit of the contract awarded to Company D was $315,749. Of this total, 88% ($277,731) of the benefit accrued as additional wages with the remaining 12% ($38,019) taking the form of avoided welfare payments for the 11 individuals who had previously been receiving payments as part of a Community Development Programme initiative (CDP).

Summary of benefits derived from IEPS Contract

<table>
<thead>
<tr>
<th></th>
<th>Contract 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$277,731</td>
<td>$277,731</td>
</tr>
<tr>
<td>Avoided in welfare</td>
<td>$38,019</td>
<td>$38,019</td>
</tr>
<tr>
<td>Benefit totals</td>
<td>$315,749</td>
<td>$315,749</td>
</tr>
<tr>
<td>Indigenous Employed</td>
<td>(at peak of contract)</td>
<td>26</td>
</tr>
</tbody>
</table>

Consultation Points

The philosophy used to successfully recruit and develop Indigenous employees is not by offering too much too quickly. Staff must value their jobs before they are offered an apprenticeship.

On job training was provided to Indigenous employees, however due to extremely tight deadlines, accredited training was unable to be delivered.

Given the nature and ethos of the company, the policies have had no real impact. Prior to the policies they had 50% of Indigenous employees and this remains the case.

Case Study

Company E

Enterprise Revenue FY 2016: Data not provided
Mainly operates as a Prime Contractor
Total headcount employed as at 30 June 2016: 26
Total headcount of Indigenous employed as at 30 June 2016: 11

Company E provided information on three contracts for which it claimed Provisional Sum. Total contract values were not provided, however all contracts are in progress with Indigenous employee hours still being accumulated.

The total direct benefit of the three contracts awarded to Company E was $101,321. The total benefit shown manifests as additional wages, as no data was provided for previous employment status of individuals employed.

Summary of benefits derived from IEPS Contracts

<table>
<thead>
<tr>
<th></th>
<th>Contract 1</th>
<th>Contract 2</th>
<th>Contract 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$40,631</td>
<td>$11,115</td>
<td>$49,375</td>
<td>$101,321</td>
</tr>
<tr>
<td>Avoided in welfare</td>
<td>Data not available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit totals</td>
<td>$40,631</td>
<td>$11,115</td>
<td>$49,375</td>
<td>$101,321</td>
</tr>
<tr>
<td>Indigenous Employed</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>24</td>
</tr>
</tbody>
</table>

Consultation Points

Industry are becoming more accepting of the policies, but there remains ambiguity on how to apply them.

The Provisional Sum should be nominated by the bidder for each contract and not nominated by the Department.

Since the policies’ introduction, the number of Indigenous employees has increased from 3 to 11. Of the 8 new employees, none had previously been employed full time.
Case Study

Company F

Enterprise Revenue in FY 2016: $40 - 50m
Mainly operates as a Prime Contractor
Total headcount employed as at 30 June 2016: 78
Total headcount of Indigenous employed as at 30 June 2016: 6

Company F provided information on one contract for which the Provisional Sum was claimed:
• Contract 1 - Valued at $24m, currently ongoing.

As the contract is ongoing, wage data is calculated on wages of Indigenous employees to date but is expected to increase.

The total direct benefit of the contract awarded to Company F was $125,044. The total benefit shown manifests as additional wages, as all individuals were reported as employed prior to the contract being awarded.

Summary of benefits derived from IEPS Contracts

<table>
<thead>
<tr>
<th></th>
<th>Contract 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$125,044</td>
<td>$125,044</td>
</tr>
<tr>
<td>Avoided in welfare</td>
<td>Data not available</td>
<td>Data not available</td>
</tr>
<tr>
<td>Benefit totals</td>
<td>$125,044</td>
<td>$125,044</td>
</tr>
<tr>
<td>Indigenous Employed (contract to date)</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

Consultation Points

- The IEPS has had a negative impact on staff morale. Staff have resigned as they felt exploited and did not want to identify themselves as Indigenous.
- Other builders have been dismissing non-Indigenous employees to replace with Indigenous as a means to claim the Provisional Sum.
- The IEPS intent is positive, yet implementation has created a number of problems. The IEPS should apply to other industries, not just construction.

Case Study

Company G

Enterprise Revenue in FY 2016: $10 - 20m
Operates as both a Prime Contractor and Subcontractor
Total headcount employed as at 30 June 2016: 58
Total headcount of Indigenous employed as at 30 June 2016: 22

Company G provided information on one contract for which Provisional Sum was claimed – valued at $744,000. The contract is currently ongoing, with a planned duration of 12 months. Company G provided information on the contract under which it claimed IEPS, numbers and the average pay rate of Indigenous employees engaged on this contract ($27/hour), however declined to provide total IEPS amounts claimed from NTG to date on this ongoing contract. The table below shows the total value of the contract rather than the direct benefit accrued.

Summary of IEPS Contract

<table>
<thead>
<tr>
<th></th>
<th>Contract 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Value</td>
<td>$744,000</td>
<td>$744,000</td>
</tr>
<tr>
<td>Indigenous Employed (contract to date)</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Consultation Points

- Greater compliance monitoring by Government is necessary to ensure that Indigenous employees are working on the contract.
- Contracts under the RCP should be made public for greater transparency when awarded and benchmarked against other organisations.
- The IEPS should not apply to short term contracts.
Case Study

Company H

Enterprise revenue FY 2016: Data Not Provided
Mainly operates as a Prime Contractor
Total headcount employed as at 30 June 2016: 55
Total headcount of Indigenous employed as at 30 June 2016: 11

Company H provided information on 15 contracts for which the Provisional Sum was claimed. The information provided by Company H detailed the Provisional Sum amount per contract, rather than hours and hourly rate per employee. The table below shows total provisional sum per contract rather than the direct benefit accrued. This is totalled as a proxy of additional wages. Consequently, it is reasonable to interpret the ‘Indigenous Employed’ column below as including Company H employees and all contractors/subcontractors for which the Provisional Sum was claimed.

Summary of IEPS Contracts

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Contract Value</th>
<th>Provisional Sum Claimed</th>
<th>Indigenous Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1</td>
<td>$12,911,000</td>
<td>$1,411,522</td>
<td>78</td>
</tr>
<tr>
<td>Contract 2</td>
<td>$9,57,000</td>
<td>$119,999</td>
<td>15</td>
</tr>
<tr>
<td>Contract 3</td>
<td>$1,879,000</td>
<td>$240,000</td>
<td>24</td>
</tr>
<tr>
<td>Contract 4</td>
<td>$1,985,000</td>
<td>$300,000</td>
<td>10</td>
</tr>
<tr>
<td>Contract 5</td>
<td>$3,129,000</td>
<td>$390,000</td>
<td>63</td>
</tr>
<tr>
<td>Contract 6</td>
<td>$1,259,000</td>
<td>$149,999</td>
<td>13</td>
</tr>
<tr>
<td>Contract 7</td>
<td>$1,996,000</td>
<td>$160,000</td>
<td>28</td>
</tr>
<tr>
<td>Contract 8</td>
<td>$6,423,000</td>
<td>$640,000</td>
<td>37</td>
</tr>
<tr>
<td>Contract 9</td>
<td>$965,000</td>
<td>$129,999</td>
<td>27</td>
</tr>
<tr>
<td>Contract 10</td>
<td>$5,748,000</td>
<td>$650,000</td>
<td>19</td>
</tr>
<tr>
<td>Contract 11</td>
<td>$1,731,000</td>
<td>$150,000</td>
<td>7</td>
</tr>
<tr>
<td>Contract 12</td>
<td>$9,639,000</td>
<td>$1,100,000</td>
<td>32</td>
</tr>
<tr>
<td>Contract 13</td>
<td>$1,849,000</td>
<td>$209,000</td>
<td>13</td>
</tr>
<tr>
<td>Contract 14</td>
<td>$2,049,000</td>
<td>$200,000</td>
<td>15</td>
</tr>
<tr>
<td>Contract 15</td>
<td>$1,355,000</td>
<td>$160,000 (Contract yet to commence)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$53,775,000</td>
<td>$6,010,499</td>
<td>381</td>
</tr>
</tbody>
</table>

Consultation Points

- The monthly Contractor Performance Reports should consider outcomes / milestones, not just money spent.
- “Indigenous” should include any indigenous person across Australia, not limited to the NT.
- Builders are charging their employees out at exorbitant rates as a result of the IEPS Policy.
Findings

The information gathered through case studies, data review and two rounds of consultations with over 50 different stakeholders including Indigenous Business Enterprises, Industry, Representative Associations and Local Government, has informed the following key findings.

General

The overall intent of both policies is widely supported

There was overall support for the policy intent of the IEPS and RCP, in that increasing Indigenous participation in the workforce will have individual, family and community benefits right across the NT. Many businesses also recognised and agreed with an intent (of IEPS in particular) of changing the culture of enterprises which may not have previously actively sought Indigenous employment.

While there is a view that the policy is having a tangible, beneficial effect, stakeholders believe that the benefits of applying this across tiers 2 ($15,000) and above of procurement activity would increase those benefits. At present the IEPS only applies to projects in Tier 4 ($500,000 but less than $2 million) and Tier 5 ($2 million and greater) procurements through DIPL. The benefits identified of applying the IEPS across other tiers of procurement relate to more certainty to employ Indigenous people. Currently, businesses indicated that the project nature of work does not necessarily encourage an employment outcome or incentivise people on income support to take up what could be short-term employment opportunities.

There is limited community understanding of both policies, particularly in relation to RCP

The consultations revealed a lack of awareness and understanding of the two policies – their similarities, differences and requirements. There was limited understanding and exposure to RCP in particular, with many not understanding the connection and intended complementary nature of RCP and IEPS. In many cases, comments were offered on RCP which in substance actually related to IEPS, and vice versa.

Consultations revealed the low level of awareness and understanding of the RCP amongst Territory businesses, Indigenous Businesses and other stakeholders. In many cases (particularly in Darwin), this manifested in stakeholders not being able to offer any feedback at all on RCP. In other cases (primarily in regional centres such as Alice Springs and Tennant Creek) there was awareness and interest in the policy, but a significant lack of understanding of how it applied and indeed whether their business had actually been exposed. It is reasonable to state that the requirements and tangible outcomes of IEPS are more evident and transparent to industry than RCP. This has resulted in the proliferation of misinformation and speculation about the RCP policy amongst some elements of the business community.

This lack of understanding is also prevalent in relation to which Government agency owns each policy, with stakeholders noting the differing approaches to the policy taken by different Agencies within NTG. In relation to RCP, information available online suggests joint ownership by the OAA within the remit of the Aboriginal Affairs strategy and the DTBI (as the Agency responsible for procurement policy). Most stakeholders are clear that IEPS is managed by DIPL, however are peripherally aware that DTBI also plays a role as the Agency responsible for procurement policy. Whilst the internal workings of Government and ownership of the policies is not of major concern to industry, this ambiguity does impact the consistency of information and ease of access of information relating to the RCP in particular.
Indigenous Employment Provisional Sum Findings

Of both policies, IEPS has most clearly evidenced tangible outcomes

Of the two policies reviewed as part of this engagement, the data available within Government indicates that the IEPS has demonstrated the most tangible outcomes of payments to organisations who are employing Indigenous workers.

The following graph shows the growth in the total number of tenders with an IEPS component since October 2014 when the policy was implemented.

![Number of Tenders with IEPS](image)

*Figure 3 – Number of tenders awarded under IEPS (Source: Department of Infrastructure)*

The total number of tenders with an IEPS component has grown significantly from approximately 30 in March 2015 to 280 in May 2016. This would indicate, at the contracting level, the number of opportunities for Indigenous workers has grown significantly. It should be noted that the increase in contracts awarded may not necessarily align to an increase in employment opportunities, a number of organisations consulted indicated that they used Indigenous workers already employed rather than employing new workers.

![IEPS Monthly Expenditure](image)

*Figure 4 – IEPS monthly expenditure as at 30 June 2016 (Source: Department of Infrastructure)*

(Number Expenditure to 30 June 2016 is $19.6 million)
The graph above identifies that for the period from February 2015 to June 2016, DIPL paid out $19.6 million in expenditure under the IEPS. The majority of this has been paid out since September 2015 when there was a sharp increase in the value of expenditure under the IEPS. Other than the cyclical decline over the Christmas holiday period, the level of IEPS expenditure has continued at approximately $2 million per month.

All of the information above demonstrates that the data collected by DIPL indicates that the uptake of funding available through the IEPS has seen a significant increase since mid-2015.

Government’s current approach to the Provisional Sum in tender documents is having unintended impacts on pricing

Currently the amount of funding available under the IEPS is provided to the market as part of the request for quote documentation available to potential tenderers. For instance, a project may indicate that the provisional sum component available for a road upgrade project is $100,000. The market is aware that the IEPS expenditure is set at 10% and hence are able to identify that the expected value of the contract is approximately $1,000,000.

Feedback indicated that this disclosure is creating confusion for businesses, both Indigenous and non-Indigenous about how they should price these potential works. Many businesses reported treating IEPS as a discount, and others didn’t factor it into their pricing but treated it as a “bonus” if they did achieve the required level of Indigenous participation. Some business indicated they discounted the price offered due to using Indigenous workers who are already employed, hence being able to claim Indigenous employee costs separately and deliver the job at a lower price. Others view the IEPS as additional funding to support the recruitment and employment of Indigenous workers over and above their existing workforce and hence price accordingly. The graphic below summarises this difference in approach and the potential impacts of each:

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**Figure 5 – The IEPS Pricing Decision and Potential Impacts (Source: KPMG)**
This confusion is contributing to a perception that IEPS is having the effect of driving down prices on projects subject to the Provisional Sum. Many in the industry are also aware of common practice within DIPL tender assessments to conduct an initial shortlisting based on price, without consideration of other aspects of a tender or other benefits proposed, namely an increase in employment outcomes for Indigenous people. Feedback indicated that there is a recognition that Government should procure competitively priced services, but it should also consider the total benefits offered in its assessment rather than just price e.g. Indigenous employment outcomes.

There is a view that the 10% IEPS funding amount can be disproportionately high particularly where projects have high material costs rather than labour costs. For instance, an electrical or mechanical services project with high costs for materials may mean that the 10% of contract value available for Indigenous wages claimable under the IEPS can never be achieved without inflating the labour costs. There was feedback during the consultation process that indicated a ‘secondary market’ had developed as a result, setting inflated labour rates for Indigenous workers, or that Indigenous employees were “shopping themselves around” to get an increased hourly rate. This, combined with the driving down of prices mentioned above, is contributing to a perception amongst businesses that they are being “priced out of the market”.

The consultations identified that there were a number of identified instances of risk and reimbursement being unequally distributed between head contractors and subcontractors. In particular there were two key issues identified, the first was the head contractor not passing through the IEPS funding to the subcontractor who was meeting the IEPS requirements. As part of the negotiation with subcontractors, the head contractor is also pushing the sub-contractor pricing and margins down to improve their own profitability margins.

Secondly, where the head contractor is subcontracting an organisation to meet its IEPS commitments and the subcontractor cannot meet those commitments, the head contractor is left unable to claim IEPS funding. Depending on the pricing structure adopted (and as discussed above) this may mean the head contractor is out of pocket where they had discounted pricing based on receiving an amount under the IEPS. Overall, regardless of the pricing approach taken, the IEPS exacerbates the consequences of poorly managed and delivered labour commitments, either between head contractor and Government, or between head contractor and its subcontractor/s.

There are opportunities to improve the burden of compliance with IEPS and to reduce red tape for both Government and industry

Feedback was mixed on the compliance framework in relation to the obligations to provide timesheet and/or payslips to verify payments. Some organisations indicated that the requirement for Indigenous workers to provide signed payslips is unfair and individuals felt they were being singled out. Other organisations indicated that this is a relatively simple and effective way to verify the appropriate outcomes. There was also feedback that indicated there might be privacy concerns with providing timesheet and payroll information for indigenous workers, and this often made indigenous workers feel singled out.

Most organisations did indicate that it would not be difficult to make up timesheets and/or payslips, and that unless there was better compliance monitoring arrangements that verified that the Indigenous people being claimed for were actually undertaking work on the job, there is a potential for inappropriate claiming to be undertaken.

While no specific examples where provided, there were a number of anecdotes identified during the consultation, including the claiming of IEPS for non-Indigenous workers, or claiming for people Indigenous to another country.

A large number of businesses consulted indicated that they were having difficulty in accessing a labour pool to support the employment of Indigenous people, particularly in Darwin and Alice Springs. A number of instances of labour hire companies were observed and this demonstrated a better model in accessing a labour pool to meet their Indigenous employment requirements to access IEPS funding.
There was consistent feedback during the consultation that the costs of hiring new Indigenous workers, particularly those moving from income support and welfare payments was higher than for other workers. There were a number of reasons given for this, including:

- Needing to hire or divert resources to mentor Indigenous workers, particularly in the earlier stages of employment, resulting in lost productivity of the broader workforce;
- Decreased productivity of the Indigenous workers specifically, as they learn and develop capabilities to perform tasks (dependent upon the job-readiness of the Indigenous employee);
- Businesses having to allocate additional resources to drive around and pick up workers in the mornings to ensure they arrived to work on time and with appropriate safety equipment/uniform; and
- Higher rates of absenteeism.

These additional overhead costs are not claimable under the IEPS but are being considered by business when they are considering additional Indigenous workers, particularly those moving off income support.

There was also feedback that indicated the reimbursement for the costs of training are inconsistently applied across the Territory. A number of organisations are claiming for the hours individuals attend training without any additional costs of training e.g. course fees and materials, while others indicated they had not been reimbursed at all, even for training hours.

Feedback gathered from DIPL indicated that there is no public policy statement about claiming for training costs and it was being handled on a case-by-case basis. This is creating an unequal playing field meaning the only businesses claiming IEPS for training hours were those with a deeper knowledge of the policy or a relationship with DIPL resources.
Remote Contracting Policy Findings

Acceptance and understanding of the policy would have been enhanced by a more consistent communication strategy

There are opportunities to improve Government’s future policy implementation by adopting a more structured, consistent communication and change management strategy. A frequent theme of stakeholder feedback in relation to RCP was that clear information was not available from the outset, the policy changed iteratively with limited communication to industry and the messaging from Government staff was not clear and often inconsistent with official guidance available.

The below timeline presents the public-facing communication and messaging that has occurred in relation to RCP. There were also reports from businesses consulted that, aside from the published guidance, they sometimes received inconsistent information from personnel within NTG who were applying the policy. This comment applies to both policies, however in the RCP context this ambiguity related to matters like what a business had to do to become “eligible” under the policy and the relevance of Indigenous ownership. This highlights an opportunity for improvement in the training and information provided to NTG staff, prior to external announcement of the policy.

Remote Contracting Policy: Timeline of External Messaging

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2015</td>
<td>Remote Contracting Policy takes effect (General information on policy intent and targets communicated through Government roadshows)</td>
</tr>
<tr>
<td>1 August  2015</td>
<td>Government announces “A new remote contracting policy aimed at ensuring 70% of small contracts for construction, repairs and maintenance in remote Indigenous communities go to local Aboriginal businesses by 2017” (Source: Then Chief Minister Adam Giles speech at Garma Festival &amp; accompanying NTG media release)</td>
</tr>
<tr>
<td>4 September 2015</td>
<td>Opening of the Office of Aboriginal Affairs; policy is again referred to as applying to “local Indigenous businesses”. (Source: Then Chief Minister Adam Giles speech at opening of Office of Aboriginal Affairs and accompanying NTG media release)</td>
</tr>
<tr>
<td>8 February 2016</td>
<td>Aboriginal Affairs Strategy released, stating that Government has already “introduced a new remote contracting policy that requires 70 per cent of all contracts for civil and construction projects under $5 million in remote Aboriginal communities go to local Aboriginal businesses by 2017” (Source: NTG media release)</td>
</tr>
<tr>
<td>8 February 2016</td>
<td>Government Messaging Changes (Government adviser holds meeting with Alice Springs industry and provides written guidance that “70% of all Northern Territory Government tenders in remote communities must be delivered by local businesses in 2017.” Local has the cascading meaning of (a) in the community; (b) in the region and (c) in the Territory) (Source: as reported in Alice Springs media – <a href="http://www.alicespringsnews.com.au">www.alicespringsnews.com.au</a>)</td>
</tr>
<tr>
<td>15 March 2016</td>
<td>Remote Contracting Policy “will be evaluated to ensure it is achieving its aims and not disadvantaging any Territorians” (Source: NTG media release)</td>
</tr>
<tr>
<td>November 2016</td>
<td>Information currently published online by NT Government states the 70% target applies to “local businesses” (not local Indigenous businesses) (Source nt.gov.au)</td>
</tr>
</tbody>
</table>

Figure 6 – Timeline of RCP communication messaging. (Source – KPMG)
Lack of transparency in the application and outcomes of RCP is of concern to many businesses

During consultations, there were concerns expressed amongst many businesses regarding a perceived lack of transparency of the tendering and award of contracts under the RCP. Whilst the RCP allows for both select/limited and open/public tendering, there is a widely held perception of a bias towards select tendering. Indeed, the Procurement Directions (Process Series - PR8) waive public quotation/tendering requirements for remote procurements, even though the RCP states that public or select tendering may be used.

Similar perceptions of a lack of transparency are held by some areas of the business community regarding publication of tender results, with many reporting that they only became aware of works in their region when they physically observed an Indigenous enterprise commencing delivery. Under the Procurement Directions (PO9 – Contract Award and Transparency), contracts awarded over $15,000 must be published on the NTG website, unless the work is under a Panel contract or publication is contrary to the public interest. Whilst PR8 does permit select quotation/tendering, it does not specifically waive this requirement to publish tender awards for remote procurements. Consequently, there is nothing in the NTG Procurement framework supporting the perception that work awarded under this policy is not publicly reported, in accordance with standard NTG publication practices.

Many common critiques of the RCP appear to stem from a limited understanding of the policy. The operation and requirements of RCP become clearer when reading the internal-facing messaging (most prominently, a Factsheet – version 1.0 dated 17/12/2015 – disseminated by the then-Department of Business). This Factsheet clarifies critical information about RCP as outlined below:

<table>
<thead>
<tr>
<th>Information Contained in Internal Factsheet</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process for determining when policy applies</td>
<td>Guidance in factsheet (that Agency procurement officer determines whether RCP applies) is contrary to the public guidance that OAA is “responsible for directing which contracts released by which NTG agencies can be directed towards local businesses through open or select tender”</td>
</tr>
<tr>
<td>What constitutes a local business as relevant for the policy (the “Eligible Enterprise” concept and the cascading definition of local as community, region, and then NT).</td>
<td>The definition of Eligible Enterprise (particularly the 30% local Aboriginal employment criteria) is contrary to the common public misperception that the RCP is focused on Indigenous-owned businesses. Greater understanding of this would assuage concerns (particularly in regions such as Tennant Creek) that the RCP will disadvantage existing businesses with a large Indigenous workforce that are not Indigenous-owned.</td>
</tr>
<tr>
<td>The process for identifying an Eligible Enterprise, including the capability threshold (Agencies must seek to identify an Eligible Enterprise “capable of providing the goods or services”. If there is no enterprise with suitable capability, “you can use the NTG’s normal procurement open tender practices”).</td>
<td>This capability threshold activity is not explicitly stated in the publicly available information about the RCP. Better understanding of this part of the process would address concerns raised by some stakeholders that Indigenous businesses may be (and have been) awarded work that they lack the technical ability to deliver, which either results in an incomplete delivery or the work being subcontracted to another entity.</td>
</tr>
</tbody>
</table>

This information, whilst internally accessible, does not appear to have been disseminated publicly (at least, in a structured or coordinated way). The internal guidance does address many of the factors which are unknown by the business community, and therefore became the subject of speculation. Absent this context about how the RCP is intended to operate, most external stakeholders are simply aware of the Government’s targets under this policy, and not how they are intending to achieve them. There may be a case for saying that the communications should have been reversed – i.e. the
information on targets distributed within Government only, and the information on process distributed to industry.

Government is largely unable to refute this external criticism regarding the effectiveness of the policy, due to the absence of robust data on its application and outcomes. In the course of the review, KPMG followed a number of different approaches to obtain data on contracts awarded “pursuant to RCP”, or alternatively contracts awarded to Eligible Enterprises. Limited data was available, with the exception of the Department of Housing which keeps Indigenous procurement records for reporting against its National Partnership on Remote Indigenous Housing (NPARIH) program. The RCP in its current form does not require Agencies to retain or record this information, nor is it collected by any other Agency.

Planning and continuity of projects is key, particularly in remote areas

The pipeline of projects was a common topic of discussion amongst all categories of stakeholders consulted – including Local Governments, Indigenous Business Enterprises, Businesses and Industry Associations. The nature of the construction industry is transient, project-based work. This can often conflict with the cultural and social norms of Indigenous communities, which discourage geographic movement and dissociation from one’s family or community group. Therefore, in order for the RCP to meet its goals of local Indigenous and community development, it will need to ensure a continuous pipeline of work capable of sustaining a local workforce engaged in productive activities.

The length and nature of projects made it difficult for businesses to incentivise people to move off income support and into employment. Often business is told that it is too difficult a process to get back on income support if there is no more work after the project finishes in a couple of months. Additionally, the shorter projects do not allow a commitment to achieve better education and training outcomes while working. For instance, some organisations favoured apprenticeships, but without a longer pipeline of projects and the additional support required by some Indigenous workers to pursue apprenticeships (e.g. having to travel to bigger regional areas to access training) the model did not support hiring Indigenous people into these jobs.

Improved planning practices would also enhance the effectiveness of targeted training in these remote areas. During consultations, there were examples provided of the use of training as a “gap filler”, when work was not available in a particular region. Indigenous Businesses and Indigenous Representative Associations in particular, strongly advised about the risks of “training for training’s sake”. Through Government programs and sources of funding, it would appear that the availability of training is not an issue. It is the relevance of that training, and the linkage between training and jobs, where the perceived systemic flaws are evident. This includes planning at a whole-of-Government level, but also at an individual project level. Businesses advise that providing six weeks or more “ramp-up” time is sufficient to arrive on-community, identify local workforce and conduct preliminary job-readiness training of locals. This 6-week period significantly improves the ability of businesses to use local workers, however are often incompatible with Government timeframes or this time is absorbed by NTG procurement practices.

We note that NTG has already recognised the importance of cross-Government planning, and the RCP assigns responsibility to the OAA for “graphing five year, place based investment pipelines based on known planned expenditure”. However there has been limited information released in relation to this five year pipeline of works and knowledge amongst regional and remote stakeholders consulted about upcoming works in their region remains limited.

Government procurement policies need to be paired with Indigenous business capability development initiatives to really be effective

The RCP has led to instances of partnerships being established between Indigenous Business Enterprises and established, non-Indigenous enterprises. Due to lack of understanding of the policy, there appears to be a strong belief that creating a new business with an Indigenous owner (even if that owner plays no active role in the business, and the capital and workforce comes from the established business), or alternatively merging with an Indigenous entity, will lead to preferential treatment under NTG contracting policies.
During consultations, there were many examples given (including both examples personal to those stakeholders consulted, and others known within the industry) of where these partnerships had “gone wrong”, due to any number of causes. Examples included:

- Joint ventures formed as a shopfront for established businesses, where the Indigenous owner has no real involvement in projects or workforce (termed “black cladding”);
- Indigenous entities feeling taken advantage of, after entering into joint ventures or partnerships without a full understanding of the risks involved;
- Established businesses not delivering on promises to use an Indigenous workforce in contract delivery, or otherwise deliver benefits to the local community that outlast the project; and
- Businesses seeking to partner with Indigenous entities are often cautious to do so, due to the potential for reputational damage if an Indigenous partner doesn’t deliver.

Some of the above examples, particularly the failure to follow-through on undertakings to use Indigenous Business Enterprises in contract delivery, would be lessened by improving the rigor of NTG contract management. More frequent NTG presence on-site, or checking of timesheets and other documents as the job progresses, would monitor whether the entities and personnel put forward in the tender are the ones actually performing the work.

In addition to contract management, many stakeholders highlighted the need for improved training and support to both businesses involved in these kinds of partnering arrangements. The RCP information available online refers to professional services support available to local Indigenous businesses from the Indigenous Business Development Team. There are also other sources of funding available to Indigenous businesses from within NTG, such as the Business Growth Initiatives. However, awareness about this offering in relation to the RCP is not high, and of the stakeholders spoken to who had explored or engaged in partnerships, none had obtained NTG assistance to do so.
Options for Improvement

Overview

Based on the observations and findings, KPMG has identified several options for improvement that should be considered for each (and in some cases, both) policy. These options are presented below, mapped to the relevant finding/s that they address.

<table>
<thead>
<tr>
<th>Findings</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall intent widely supported</td>
<td>1  Merge the two policies and appoint one responsible agency.</td>
</tr>
<tr>
<td>Limited community understanding</td>
<td>2  Prioritise the development of a pipeline of works.</td>
</tr>
<tr>
<td>IEPS has most clearly evidenced tangible outcomes</td>
<td>3  Change the approach to IEPS in tender documents.</td>
</tr>
<tr>
<td>Provisional Sum having unintended impacts on pricing</td>
<td>4  Broaden the application of IEPS to tier 2 and above procurement</td>
</tr>
<tr>
<td>Opportunities to improve the burden of compliance with IEPS and reduce red tape</td>
<td>5  Establish a standard IEPS reimbursement regime.</td>
</tr>
<tr>
<td>Acceptance and understanding would have been enhanced by a more consistent communication strategy</td>
<td>6  Explore an accreditation model for eligible remote enterprises.</td>
</tr>
<tr>
<td>Lack of transparency in the application and outcomes of RCP</td>
<td>7  Establish better linkages between the policy and NT Government training offerings.</td>
</tr>
<tr>
<td>Planning and continuity of projects is key, particularly in remote areas</td>
<td>8  Implement a whole-of-Government reporting regime to monitor tangible outcomes of RCP.</td>
</tr>
<tr>
<td>Government procurement policies need to be paired with Indigenous business capability development initiatives</td>
<td></td>
</tr>
</tbody>
</table>

Figure 7 – Findings mapped against options for improvement (Source: KPMG)
Option 1 - Merge the two policies and appoint one responsible Agency

Messaging to industry would be simplified and enhanced by merging the two complementary, inter-related Government Indigenous and remote procurement policies into one simple and clear policy document. Whilst both policies in their current forms have different focuses (including different procurement tiers and project types that they apply to, different regions of application, etc.) these can be addressed and explained in one “single source of authority” document. This would enhance the effectiveness of future communication and change management strategies, and signal a more unified, whole-of-Government approach. The majority of external stakeholders consulted were unable to differentiate between the two policies, so this move will not cause significant disruption in terms of public understanding.

In accordance with best practice, it is also recommended that Government appoint one sole authoritative “owner” of the policy. Providing Industry with one point of contact within Government is simpler and is an important red-tape reduction initiative, by reducing the administrative effort of businesses in determining where to direct their inquiries in order to get the most accurate, timely information. It will also have benefits for internal policy administration, by clarifying Agency roles and responsibilities in relation to both policies. Currently, there is some ambiguity regarding Agency roles within Government (particularly the role of OAA in Remote Contracting as noted in the findings above).

Which agency would be best-placed to assume this responsibility is for the consideration of NTG. Views on this matter were tested during consultations, with the majority of stakeholders expressing the view that the agency closest to the application through procurement (being DIPL), should own its application, otherwise it may become “disconnected from the industry”. This view needs to be weighed against the capacity of DIPL to assume full policy ownership, given its existing workload and priorities. It is arguable that the Indigenous development objectives of the policies render them better suited to ownership by OAA, as part of its overarching Aboriginal Affairs Strategy.

Benefits

- Reduced red tape for industry and Government;
- Simplifying the messaging to industry around the policy/ies;
- Reduced risk of duplication of effort (for example between Procurement NT, DIPL and OAA);
- Increased likelihood of more consistent external communication and application of policy requirements, if one agency is solely responsible; and
- Address concerns expressed within Government of businesses “double-dipping” (being awarded work under RCP, then claiming IEPS for Indigenous employees).

Risks

- Heightened risk of less oversight of the policy, if one agency is solely responsible for policy governance and application

Option 2 - Prioritise the development of a pipeline of works

The development of a longer-term (18-24 months) pipeline and adopting slow-build approaches to projects where possible, will signal a stronger commitment to business and provide more incentives to recruit, train and employ Indigenous workers in remote communities. We note that Government has already recognised the importance of its forward works planning, particularly in regional areas, and is currently undertaking activity in this area that this also includes not just capital works, but repairs and maintenance, etc. Development of Territory-wide, cross-Government plans is a key priority of the NTG, which is using the 2016-7 Economic Summit process to seek input on a 10-year Territory blueprint, and DTBI and DIPL already collaborating on this initiative. This IEPS and RCP review has only confirmed that this type of cross-Government planning is critical to achieving sustainable outcome from Indigenous and remote development policies.

Under this model, NTG would increase the use of slow builds, which have proven particularly effective in regions such as Galiwin’ku at extending works and therefore employment opportunities.
Extending works over a longer period in designated areas, allows business an opportunity to invest in people with more certainty around future work opportunities. This would also include tendering remote works in lengthier “packages” – e.g. a housing project may contract the build phase over 18 months and then the repairs and maintenance contract over a subsequent 2-year period to allow local business to recruit and train Indigenous employees over the full 3.5-year period.

This would also require improved cross-Government planning practices, and (to the extent possible) consolidation of requirements with other State and Federal Governments. The RCP currently mentions the creation of a 5-year rolling infrastructure plan for remote areas, although detail on this has not been publicly released. Projecting Government needs five years in advance is a significantly complex activity, and given the 3-year election cycle and annual budgetary constraints, is unlikely to be sufficiently concrete to give industry the confidence it requires to invest in a remote workforce. Planning information would, of course, be accompanied by a clear caveat that it is subject to changes depending upon Government funding and priorities. However, even heavily-caveated, a medium-term outlook (e.g. an 18-24 month forecast), would be a more useful and reliable resource for both Government and industry.

Not all projects may be suitable under this model and there are a number of considerations outlined below:

- The social need to get the project finished as quickly as possible e.g. an immediate housing need;
- The potential cost implications of slowing the build time which may require a longer-term investment. This should be considered in the context of other social and economic benefits associated with increasing Indigenous employment outcomes, for instance, an increase in physical and mental health and wellbeing, increased home ownership, decrease in welfare, justice and security outcomes and increase in skills and training and future employability;
- Broader economic considerations including the impact on the community and building, construction and civil engineering sector; and
- Funding cycles, particularly where these are linked to co-contributions from the Commonwealth Government.

**Benefits**

- Increased industry confidence, leading to greater willingness to invest in employing and training more Indigenous people;
- Allows for identification of opportunities to consolidate or extend Government projects to improve Indigenous employment outcomes; and
- Provides industry with more reliable information to use in their organisational and workforce planning and training.

**Risks**

- May be adversely viewed in some communities as delaying essential infrastructure requirements;
- Likely to be significant resources required to ensure successful execution of this task;
- May limit Government flexibility and decision-making agility if implemented poorly.
Option 3 – Change the approach to IEPS in tender documents

This option entails removing the IEPS amount from tender documents, and negotiating a contribution amount under the policy with shortlisted applications. The following table outlines the current process and the proposed process under this model.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Current (based upon consultations and published IEPS guidance)</th>
<th>Proposed (example of an alternative approach available to NTG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tender documentation</td>
<td>• IEPS amount is listed in tender documentation sent to market.</td>
<td>• Applicability of IEPS is stated, but no dollar or percentage value provided.</td>
</tr>
<tr>
<td></td>
<td>• Applicability of IEPS is stated, but no dollar or percentage value provided.</td>
<td>• Provide a list of claimable items under the IEPS e.g. training, mentoring etc.</td>
</tr>
<tr>
<td></td>
<td>• Provide a list of claimable items under the IEPS e.g. training, mentoring etc.</td>
<td>• Tenderers develop an offering and respond to NTG with a proposed Indigenous employment strategy and cost.</td>
</tr>
<tr>
<td></td>
<td>• Tenderers reverse engineer to estimate the potential value of the contract, knowing the IEPS component is 10%.</td>
<td>• Subcontractors nominated in submission.</td>
</tr>
<tr>
<td>RFQ response</td>
<td>• Prevalent practice that tenderers are shortlisted on price.</td>
<td>• Tenders are shortlisted on price and IEPS commitments.</td>
</tr>
<tr>
<td>RFQ response – initial assessment</td>
<td>• NTG assess the shortlisted tender responses in greater detail, including the IEPS commitments made.</td>
<td>• NTG assess the shortlisted tender responses in detail, including the IEPS commitments made and amended scoring based on IEPS</td>
</tr>
<tr>
<td>RFQ response – full assessment</td>
<td>• Prevalent practice that tenderers are shortlisted on price.</td>
<td>• Prevalent practice that tenderers are shortlisted on price.</td>
</tr>
<tr>
<td>Contract negotiation and execution</td>
<td>• The successful tenderer negotiates the contract with NTG, including the commitments and contract amount for IEPS.</td>
<td>• The successful tenderer negotiates the contract with NTG, including the commitments and contract amount for IEPS.</td>
</tr>
<tr>
<td>Contract monitoring and payment</td>
<td>• Contracted business provides timesheets and or payslips for Indigenous workers.</td>
<td>• Business provides evidence of IEPS commitment being met.</td>
</tr>
<tr>
<td></td>
<td>• NTG reimburses amounts claimed for.</td>
<td>• NTG reimburses amounts claimed for (possibility of milestone-based payments rather than monthly).</td>
</tr>
<tr>
<td></td>
<td>• Compliance monitoring occurs.</td>
<td>• Compliance monitoring occurs, including one of nominated subcontractors.</td>
</tr>
</tbody>
</table>

Consultations highlighted the need to adjust the approach taken to IEPS in Government procurement documentation. Many stakeholders (excepting perhaps several of the largest and most sophisticated builders in the Territory) expressed dissatisfaction with the way that this sum has evolved to become a discount at the pricing stage, rather than a bonus to incentivise achievement. The “blanket 10%” approach that occurs in practice is also considered unfair and, in many projects, unrealistic due to the labour component of the job. Consultations internally with Government indicate that this value was a trial, and was not based on robust assessment or modelling.
Treating the Provisional Sum more flexibly, and allowing tenderers to nominate a value and how they will use that amount under the contract (which may include pure wages or also training, supply chain and other expenses) would address these concerns of industry. It would also arguably result in better policy outcomes, if tenderers are able to demonstrate that whilst they may be unable to reach the full amount on wages, there are other opportunities (such as relevant training or use of an Indigenous supply chain) to build Indigenous capability. Changing the nature of the IEPS payment to be more outcomes-based, would also result in a change to the reimbursement cycle. Rather than frequent (e.g. monthly) claims having to be processed by DIPL staff, a change to less regular milestone payments would likely reduce the administrative burden placed on that agency.

It cannot be disregarded, that this small change will have a significant impact on tendering overheads (in the form of increased negotiation time) and would require increased capability of Government procurement officers in applying discretion and assessing the relative merits of different proposals. However the extra investment of time at this early stage of the process would likely avoid issues during contract delivery. The Review team heard several anecdotes about instances where a contractor recognised that IEPS was not achievable, and negotiated with Government during the contract term to either reduce the amount or reallocate the funding. This approach suggests moving that discussion forward, to the outset of the project.

Benefits

- Including Indigenous employment outcomes alongside price as a core component in the shortlisting of tenders should drive organisations to ensuring that they have met this important requirement rather than just competing on price;
- The amount of funding negotiated can be clearly tied to outcomes, ensuring if these are not met that funding is withheld;
- Business can develop a clearer pricing strategy, allowing business to develop core and at risk components into Indigenous employment strategies;
- Clear line of sight for NTG of commitments made to subcontractors by head contractors should any disputes arise;
- Organisations would clearly understand the claimable items available under each particular contract; and
- Opportunities to align IEPS with the “Local Content” evaluation criteria in tender documentation.

Risks

- Difficulty of predicting the impact on pricing (as more sophisticated businesses have pointed out, construction is a “savvy” industry and regardless of Government’s approach, tenderers will find a way to obtain a commercial advantage from it);
- Increased overhead for NTG in pre-contract negotiations;
- Increased discretion of Government procurement officers in negotiations could lead to inconsistent outcomes; and
- Overall increase in the cost of projects.
Option 4 – broaden the application of IEPS to tiers 2 and above procurement

This is a longer-term option for further consideration by NTG once other opportunities for improvement relating to IEPS have been considered. Option 4 involves broadening the policy application to allow reimbursement of a provisional sum in tenders of all value over $15,000, not just Tiers 4 and 5. Under the NTG Procurement Framework, current thresholds are:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than $15,000</td>
</tr>
<tr>
<td>2</td>
<td>$15,000 but less than $100,000</td>
</tr>
<tr>
<td>3</td>
<td>$100,000 but less than $500,000</td>
</tr>
<tr>
<td>4</td>
<td>$500,000 but less than $2 million</td>
</tr>
<tr>
<td>5</td>
<td>$2 million and over</td>
</tr>
</tbody>
</table>

*Table 6 - NTG Procurement Tiers (Source – Procurement Directions)*

Feedback indicated that the policy intent of the IEPS was well supported by most stakeholders. Based on the select data available, it appears to be having some positive, tangible outcomes in terms of creating opportunities for Indigenous employment. There were however views expressed about its inaccessibility during consultations, particularly from smaller businesses in remote/regional areas. In these areas, a larger proportion of the NTG work being tendered for is in the lower value categories (tiers 2 and 3). It is reasonable to expect that an expansion of the policy would also be well-received by smaller businesses in larger cities, as it would enable these enterprises to claim IEPS directly on some projects, rather than depending on its flow-through as a subcontractor.

Making IEPS funding available across other tiers of procurement would support businesses of all sizes to recruit, train and employ more Indigenous staff. It would not be practical to impose or enforce this requirement for tier 1 procurements, which are often conducted using a purchasing card and are not required to be centrally recorded in NTG systems. However extending the application of IEPS to tier 2 or even tier 3 would increase the impact of this policy. NTG’s spend profile indicates that the majority of spending, by value and frequency, occurs at the lower levels of procurement (i.e. tiers 2 and 3).

There are also options in the future to explore the further expansion of this policy beyond Government’s construction spend, to include its procurement activities in other sectors such as tourism, health and education. These are three sectors which, like construction, offer excellent employment pathways to progress workers from unskilled, to semi-skilled, to skilled. However, as stated above, it is suggested that this option be explored in the future, with current focus remaining on how to ensure it is operating efficiently, prior to further expansion. It is useful to note here that the Commonwealth Indigenous Procurement Policy (whilst not reviewed in detail as part of this project), applies to nearly all types of services including agriculture, education, health and communication.

Procurement activities under tier 2 and 3 provide much greater opportunity and are more accessible by a larger share of small to medium business, which can support the recruitment of Indigenous people. Using a pricing model outlined in Option 3, this strategy would allow business to commit to Indigenous employment outcomes with funding appropriately tied to the achievement of these outcomes.

**Benefits**

- Improve the accessibility of the policy to smaller businesses which may not be equipped to work directly with Government on higher value projects.
Risks

- Increased confusion/pool of supplies that may be confused (if other issues aren’t addressed);
- Increased number of applicable contracts means increased administrative burden on Government in its internal administration and auditing of the IEPS; and
- Increased cost to Government on its construction projects, depending on the approach taken by this segment of the market in its tender pricing.

Option 5 – Establish a standard IEPS reimbursement regime

It would, in KPMG’s view, be favourably received by industry if the clarity and consistency of the IEPS reimbursement process was enhanced. This approach includes several elements – one “quick win” being to remove the requirement for contractors to submit signed timesheets with their claims for IEPS reimbursement. DIPL’s recent establishment of a Local Benefit Audit Panel, and its increased focus on contract management, suggests that it can reduce this perceived “red tape” whilst still applying a risk-based approach to checking compliance.

Another element of standardising the IEPS reimbursement regime is removing the practice of reimbursing actual rates paid. To ensure maximum enforceability, NTG should consider effecting this new regime through a policy change, but also reflecting it in the contract terms (capturing the hours of Indigenous employment committed to by a tenderer, and attaching it to a milestone payment in the contract). In terms of the reimbursement model, there are two possible alternative approaches for NTG to consider. Note that both of these approaches are recommended to still involve reimbursement only up to the nominated provisional sum amount (typically 10% of contract value).

Fixed Percentage Approach

This approach involves reimbursement of a fixed percentage amount on top of actual labour costs paid. This would recognise and compensate the businesses for the additional overheads that they may incur in complying with this policy, including training, payroll tax, administration, employee equipment, supervision/mentoring or other incidental costs. This fixed percentage removes the potential for inconsistent or subjective application and should be straightforward to administer for both NTG and industry.

KPMG considers that a percentage figure of 143.5% of wages is reasonable and justifiable. This amount has been calculated on the following costs.

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Percentage</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Superannuation</td>
<td>9.5</td>
<td>Superannuation Guarantee Charge rate</td>
</tr>
<tr>
<td>Payroll tax</td>
<td>5.5</td>
<td>Maximum NT Payroll Tax rate</td>
</tr>
<tr>
<td>Workers compensation</td>
<td>4.0</td>
<td>Estimated for building and construction general category</td>
</tr>
<tr>
<td>Leave provision</td>
<td>20.0</td>
<td>Leave loading applied to permanent staff (note – leave will not be a cost component when casuals are employed)</td>
</tr>
<tr>
<td>WHS</td>
<td>0.5</td>
<td>Personal Protective Equipment allowance – estimated $250p/a</td>
</tr>
<tr>
<td>Training and supervision</td>
<td>4.0</td>
<td>Training/induction courses and supervision – estimated at $2000p/a</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>143.5</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 7 – Breakdown of KPMG fixed percentage approach (Source: KPMG)
There may be disadvantages associated with any approach that entirely, or near-entirely, subsidises businesses to employ Indigenous workers. We understand that the IEPS was originally designed to ensure that businesses themselves assumed some risk get made an investment and were incentivised to ensure the success of the employment arrangements. To remain aligned with this policy intent, NTG will need to satisfy itself that the level of reimbursement still requires some contribution from the business, rather than a full subsidy of the costs of employment.

**Flat Hourly Rate Approach**

This approach entails reimbursement of labour costs at a flat rate, rather than the actual amounts paid as indicated on timesheets. This standard rate of pay would have several advantages, such as easing the administrative burden of policy compliance and addressing privacy concerns associated with providing payslips. It also responds to (unverified) feedback received from stakeholders that the IEPS has led to inflated labour rates for Indigenous labour, where hourly rates charged are disproportionately high considering the employees' experience and qualifications.

A proposed flat rate of reimbursement is the median hourly rate reimbursed under the policy to date (excluding outliers). A higher-than-the-median amount could be selected, if NTG wishes to send a clear message to industry that it is seeking to compensate for the additional overheads incurred as a result of the policy. Based on the data available to KPMG (covering the period October 2014 to April 2016) provided by DIPL the actual median was $37 per hour.

NTG should consider if it may be appropriate to use different flat rates by region or sector (e.g. construction versus civil) as there are differences in market labour rates both across regional and remote areas and different labour awards recognising level of capabilities and responsibilities.

Should this approach be selected, care would need to be taken with the public communication of the change to a flat rate. Without appropriate justification, this move could give the impression that NTG views all Indigenous workers the same, regardless of any additional skills they possess that may warrant a higher hourly rate. It should also be made very clear that the intent is to provide a partial subsidy of the costs of employing Indigenous workers rather than the full cost of employment.

Further unintended consequences of this approach include discouraging further investment in training Indigenous workers, as any increased salary that comes with increased qualifications may not be recoverable under IEPS. There is also the potential for the market responding by driving down the hourly rate for Indigenous labour to less than $37 per hour, effectively establishing a ceiling rate which will align to, presumably, the award. This may or may not be a desirable outcome, especially if an employee is already being paid well in excess of that rate. This could lead to currently employed Indigenous labour removing themselves from the market, or a situation where new Indigenous labour cannot be attracted to the market.

**Benefits**

- Reduced administrative burden of compliance with the IEPS for both industry and Government.

**Risks**

- Reinforces the view that businesses should continue to be fully subsidised for their employment of Indigenous workers, which may reduce the employer’s incentive to ensure that worker is productively used; and
- May result in employment of Indigenous workers only at the lower skilled roles, and reduce the incentives for industry to train Indigenous workers (thereby increasing their market value).
Option 6 – Explore an accreditation model for eligible enterprises

The Review identified a need to accredit entities in key metrics relevant to these policies, such as Indigenous employment and ownership.

There is no one source of eligible enterprises for procurement officers to interrogate at present, and while a number of certification and registration bodies currently exist (e.g. Supply Nation), these focus on Indigenous business rather than remote business. NTG should consider clarifying the definition of a “remote business”, with feedback indicating the following should be considered:

- Has a physical presence within the community;
- Employs people who live in the remote area;
- Employs Indigenous people (over 30% of workforce);
- Is 50% Indigenous owned or controlled; and
- Clearly identified service capabilities – so procurement officers understand their capabilities and can procure accordingly.

Under this arrangement, a business could submit relevant information to NTG to be accredited under the model without having to respond with the same information in every tender. This would make it easier to undertake business with NTG. Ongoing annual declarations coupled with appropriate compliance monitoring activities would support compliance with the admission requirements e.g. ensuring Indigenous employment levels did not drop below 30% or physical presence is no longer maintained in a community.

As part of this recommendation, NTG could also consider implementing a sliding scale or tiered accreditation under the model. An example model is provided below (which may be adapted by NTG given its policy drivers – for example the movement away from focusing on Indigenous ownership, to high levels of Indigenous employment).

<table>
<thead>
<tr>
<th>Accreditation Level</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>100% Indigenous owned or controlled with more than 50% Indigenous employees</td>
</tr>
<tr>
<td>B</td>
<td>100% Indigenous owned or controlled with less than 50% Indigenous employees</td>
</tr>
<tr>
<td>C</td>
<td>50% or more Indigenous owned or controlled with more than 50% Indigenous employees</td>
</tr>
<tr>
<td>D</td>
<td>50% or more Indigenous owned or controlled with 30% - 50% Indigenous employees</td>
</tr>
<tr>
<td>E</td>
<td>More than 30% Indigenous employees</td>
</tr>
</tbody>
</table>

Table 7 - Example tiered accreditation model (Source: KPMG)

In the NT context, there are several existing bodies that could play a greater or enhanced role in any “Eligible Enterprise” accreditation framework. These include the Industry Capability Network (ICN-NT), Indigenous Business Network (IBN-NT), Supply Nation and Contractor Accreditation Limited (CAL). Each of these bodies maintains a database of members or businesses (in IBN-NT’s case, Indigenous-owned businesses) that operate in the NT. Each considers factors of “localness” to varying degrees, with IBN-NT focusing on Indigenous ownership status. Any accreditation framework would need to consider the respective roles and resources of these agencies, to determine whether one or several of them would be best-placed to provide NTG with accurate, defensible and impartial information on business’ eligibility under these policies. A “single source of truth” for eligible enterprises would lead to greater transparency and consistency in the application of these policies.
Benefits

- Ease of application of the RCP, reducing the need for procurement officers to undertake extensive market research and verification of a business’ eligibility;
- Improved Government resources on Indigenous Businesses in particular, which can be used to better target training and other development initiatives;
- Addresses feedback from some groups of industry that the RCP is lacking in transparency; and
- One central agency to capture data on Indigenous Businesses under policy.

Risks

- May need to renegotiate current NTG funding arrangements with external bodies, using time and resources and potentially increasing cost to Government; and
- Accreditation data would need to be frequently checked and updated regularly – potentially increasing the external and internal administration required.

Option 7 – Establish better linkages between the policy and NTG training offerings

Policy outcomes could be improved by establishing formal linkages between the policy and the relevant training already offered by NTG. As the Policy Map (figure 1) illustrates, there are a variety of programs and funding sources available for Indigenous businesses and businesses seeking to increase their Indigenous or remote workforce participation. However, consultations indicated low levels of awareness and uptake of these offerings.

A particular training need at the enterprise level is providing assistance to Indigenous organisations going through the process of establishing a joint venture or other partnering arrangements. This is particularly important in addressing joint venture arrangements where the non-Indigenous provider is establishing the arrangement to access preferential treatment through a procurement process. In these commercial negotiations, often the power and commercial advantage are with the non-Indigenous businesses. RCP does indicate that professional training is available, however the details are not clear and, as stated, vary from business to business depending upon needs. It may be advisable for Government to establish a panel of business advisors, or increase the scope of its existing adviser panels, to enable Indigenous business to access support specifically for RCP and IEPS-related actions.

Training also has a role at the individual employee level. Based on discussions with NTG, to date there appears to have been limited formal engagement between Training NT (within DTBI) and those charged with implementing the policies, particularly IEPS. The whole-of-Government forward planning activities described at Option 2 above, must include Training NT to ensure that projects in a particular region are preceded by, if necessary, the delivery of timely, relevant training to the local workforce.

Benefits

- Improved capability of Indigenous employees and enterprises.

Risks

- If training is not well-planned, coordinated and clearly linked to a resultant job, it will lead to fatigue amongst remote workforces who have reported past experience with receiving “training for training’s sake”.

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Document Classification: KPMG Confidential
Option 8 - Implement a whole-of-Government reporting regime to monitor tangible outcomes of RCP

Payments made under IEPS are processed as a line item in each contract, and are therefore captured in NTG payment systems and relatively simple to identify. By contrast, there is no requirement or practice in place across Government to record the application and outcomes of the RCP. This limits NTG’s ability to assess its effectiveness and to refute criticism from some vocal groups within industry that the policy is being unfairly applied.

This option involves making changes to the RCP to mandate central reporting every time the policy is applied (under the current wording of the policy, to be interpreted as “every time a contract is awarded to an Eligible Enterprise in a remote area”). This should be reported to OAA or, alternatively, any other Agency appointed by NTG with sole authority over the policy. It is also recommended that system changes be explored to ensure this reporting is simple and accurate – for example, whether Eligible Enterprise status can be collected in the APRO tendering system. Reporting will also enable the establishment and monitoring of targeted, relevant Key Performance Indicators or targets for the policies (which are currently included in both policies, but do not appear to be routinely measured or reported against).

Benefits

• More accurate data for internal and external use; and
• Improved ability to track outcomes of policy in real-time and identify when corrective action or changes needed.

Risks

• Increased administrative burden of reporting; and
• Possible technical complexity of system changes.
Conclusion

KPMG’s consultation with over 50 businesses, Indigenous enterprises, local Governments and representative associations provided a robust indication of community views and sentiment in relation to the two policies. Whilst perspectives and experiences vary significantly, a common link is agreement with the policies’ intent, and acceptance that both Government and industry have a role to play in increasing Indigenous economic activity and workforce participation. This acknowledgement of the necessity of the policies is somewhat tempered by the perceived onerous compliance framework and perception that policy loopholes are being exploited.

The review into RCP and IEPS has revealed a number of opportunities to improve the efficiency and effectiveness of the policies. It has highlighted the importance of cross-Government communication and central collation of records, to ensure that the policy outcomes can be more accurately measured in the future. Based on the data available from Government, and the business-specific case studies conducted by KPMG, there have been success stories resulting from the policies. An integral part of Government’s communication strategy in relation to the policies going forward is to highlight these successes more broadly, to improve buy-into the policies both internally and externally to Government.
Appendices

A – Detailed Project Approach
B – IEPS Policy Document (as publicly available)
C – RCP Policy Document (as publicly available)
A: Detailed Project Approach

KPMG was engaged by DTBI to undertake an independent evaluation of the outcomes and effectiveness of both the IEPS and RCP policies. KPMG commenced this project at the end of May 2016. Initially the project was scheduled to conclude by early November, however, due to the NTG caretaker period and election of a new government, the project was delayed by approximately 6-7 weeks. At this time, changes to approach for the Economic Impact Assessment were negotiated between KPMG and DTBI, resulting in the amendment of two phases of work to better reflect the nature of activities undertaken.

The project plan entailed an eight phase approach and the key outcomes of each phase included:

**Phase A – Project Commencement (Week 1)**

KPMG formulated the final Project Plan and Stakeholder Engagement Plan, which was agreed by DTBI Contract Manager and Project Steering Committee.

**Phase B- Project Scoping (Weeks 2-3)**

KPMG developed a Current State Analysis Summary to draw out the NTG perspective as a way to clearly identify each policy’s objectives and outcomes. This was achieved through a number of internal consultations and workshops with NTG.

**Phase C – Base Line Industry Profiling (Weeks 4-5)**

KPMG developed ‘Regional Economic Profiles’ for each of the regions; Darwin (including Palmerston and Litchfield); Barkley; Katherine; Top End Rural; East Arnhem; Central Australia; and, an overall profile for the whole of the Northern Territory.

The profiles isolated the Indigenous economy for each region by disaggregating total figures by Indigenous and non-Indigenous status. For the purposes of these profiles the Indigenous category is composed of peoples identifying as Indigenous, Torres Strait Island or both Aboriginal and Torres Strait Islanders.

The data was gathered from the Australian Bureau of Statistics (ABS) and the Australian Taxation Office (ATO). Breakdowns by industry are presented by Australian and New Zealand Standard Industrial Classification- 2006 (ANZSIC).

Each profile detailed a brief summary of economic performance; employment by industry; number of businesses by industry; labour force, participation rate and unemployment; and, wages and salaries. Together they form an economic baseline against which change can be measured.

The profiles were provided as an appendix of an interim report ‘Findings of Initial Consultations and Project Status Update’ presented to the DTBI Contract Manager and Project Steering Committee in October 2016.

**Phase D – Community Consultations: Round 1 (Weeks 6 – 12)**

KPMG undertook an initial round of consultations to collect feedback from 50 key stakeholders (excluding NTG) across the NT. The first round of consultations were designed to obtain an understanding of prevailing viewpoints regarding how effectively the policies were meeting their stated objectives and having beneficial economic outcomes.

The stakeholders encompassed Indigenous businesses, businesses, representative associations and local governments. The consultations occurred in Darwin, Tennant Creek, Alice Springs, Wadeye, Nhulunbuy and Katherine.
KPMG teams travelled to all six regions for face-to-face consultations, in a small number of cases, due to stakeholder availability, consultations with regional stakeholders were conducted by phone.

KPMG’s consultation approach ensured that:

- Consultation were seen to be genuine and unbiased
- Stakeholders’ feedback was listened to and understood in how their views have been reflected in the final policy framework
- Government and the affected stakeholders collectively own the solutions that are developed to a complex issue.

The following graphs provide a breakdown of consultations conducted by stakeholder category and region.

Phase E – Community Consultations: Round 2 (Weeks 21- 25)

Following the election in August 2016, it was determined that the second round of consultations would occur through a larger number of one-on-one discussions with a broader stakeholder group, rather than the originally planned six public forums.

The initial consultations of Round 1 provided a solid foundation to commence discussions with stakeholders to test potential changes or improvements of these policies. Therefore the purpose of the second round of consultations was repositioned to explore changes or improvements of these policies to understand potential implications and to further develop these potential options with key stakeholders who were consulted with during Round 1.

The second round of consultation included 50 key stakeholders. Given amendments of Phase E, KPMG teams travelled to all regions except for Wadeye. More consultations were conducted over the phone in order to meet tightened project deadlines and recover time where the project was unable to progress during August and September 2016.

The following graph provides a breakdown of Round 2 consultations conducted by stakeholder category and region.
Phase F – Economic Impact Assessment: Case Studies (Week 21- 25)

Initially, the Project scope required an assessment of the economic impact of the IEPS and RCP on NT’s Indigenous employment by each region. KPMG’s intended approach was to quantify the increased output, in terms of value ($) and employment, stimulated by the policies.

During the course of the Project, data limitations were identified in terms of capturing Indigenous employment outcomes, which made clear that we would be unable to construct an economic and employment baseline for both the IEPS and RCP. This was particularly the case regarding RCP, for which no employment data was available. This also precluded any reasonable attempt at undertaking an economic impact assessment at the regional or whole of NT level.

KPMG discussed these limitations with the Project Steering Committee and recommended adopting a case study rather than economic modelling approach to the assessment of economic outcomes and benefits.

These Case Studies were completed by collecting data of 8 nominated businesses, including a variety of larger and smaller businesses, different regions of operation and ownership status. The data was collected in the form of a questionnaire survey, in order to understand detailed of Indigenous employees’ wages during specific contracts.


After completion of the stakeholder consultations and the economic impact assessment, KPMG prepared and presented the key findings and recommendations to DTBI Contract Manager and Project Steering Committee. Further, KPMG worked closely with NTG to discuss the recommendations prior to finalisation of our report.

Phase H – Final Report and Project Close (Weeks 28-30)

The primary objective of Phase H was to produce the Final Report that meets the pre-agreed Project goals and acceptable to DTBI Contract Manager and Project Steering Committee.
B: IEPS Policy Document (as publicly available)
Indigenous participation on construction projects

policy
Indigenous participation on construction projects

1. Purpose
To provide employment opportunities and build the capacity of Indigenous businesses to successfully share in the delivery of construction projects in the Northern Territory.

2. Scope
Indigenous participation is a mandatory requirement for all tenders for Northern Territory Government construction contracts for Tier 4 ($500 000 but less than $2 million) and Tier 5 ($2 million and greater) procurement activities.

The Indigenous Employment Provisional Sum has been established in Tier 4 and 5 projects to support the employment of Indigenous persons by the Contractor and any Sub-Contractors in the performance of Works, including apprentices/trainees. Claims against the Indigenous Employment Provisional Sum must be accompanied by an Indigenous Employment Report, providing evidence of hours worked and wages details relating to Indigenous employees as outlined in the Special Conditions of Contract.

In regard to training, Contractors and any Sub-contractors can claim the wages of an Indigenous employee undertaking training, other costs associated with employee training are not claimable under the Indigenous Employment Provisional Sum.

Consideration should also be given to the application of the Policy to all DoI procurement activities.

Required levels of Indigenous participation will be established based on assessed business and employment market capacity and any environmental/logistical/cultural factors that have been identified in the project planning stage.

The requirement for Indigenous participation will take effect within 30 days of the contract being awarded and remain fixed for 75% of the remaining contract period.

3. Definitions
Indigenous Business Enterprise (IBE) is defined as a business which has an ABN and is 50% or more Indigenous owned.

For the purposes of this policy, a non-Indigenous business that employs at least 75% Indigenous workers workers may be treated as an IBE and may be subject to the same level of support.
Indigenous Person is a person of Australian Aboriginal or Torres Strait Islander descent who identifies themselves as Indigenous and is accepted in the community in which they live as an Indigenous person.

Local Development is economic growth and human/workforce development for the Northern Territory. In the context of this policy, Local Development in the NT is the ongoing economic development of the Indigenous community both at the Indigenous Business Enterprise level and also individual Indigenous employees.

Value Adding is economic supply chain activities in the Northern Territory which add value to a product, service or project outcome. These activities aim to keep wealth in the Territory, which is also known as Territory content.

4. Policy Statement

The Department of Infrastructure is seeking to improve opportunities for Indigenous wealth creation by maximising employment and business opportunities for Indigenous persons through:
- Increasing the number of tenders awarded to Indigenous Business Enterprises;
- Improving the participation rate of Indigenous employees, trainees/apprentices directly employed through Department issued contracts; and
- Equitably weighted assessment criteria for Indigenous participation.

Northern Territory Government contracts will provide employment and/or apprentice/trainee opportunities for local Indigenous persons especially in the delivery of works in remote locations.

5. Roles and Responsibilities

Department of Infrastructure

The following procedures will be implemented to enable the Department to meet its policy objectives:
- Assess all quotes and tenders for Indigenous participation under the Local Development and Value Adding (LDVA) criteria;
- Promote Indigenous participation at the project planning stage;
- Nominate a Provisional Sum item in the Contract Schedules for Indigenous employment to incentivise contractors to engage Indigenous staff for project values in excess of $500 000;
- Identify Indigenous Business Enterprises (IBEs) for each region in which work will be located by undertaking market research;
- Where identified, support relevant IBEs to increase capacity to tender and participate in construction projects.
Contractors

To achieve an increase in Indigenous participation, Contractors will be required to provide proposals in the tender response schedule to allow for assessment of:

- Indigenous employees, including apprentices/trainees directly employed on the works;
- The intended use of group training schemes or recognized Territory Indigenous community organizations to deliver the proposed works;
- Nominated sub-contractors usage of Indigenous employees, including registered Indigenous apprentices or trainees.

Within fourteen (14) days of award of Contract, the Contractor shall submit a copy of the fully developed Indigenous Development Plan for approval.

Should the Contractor encounter difficulties in complying with contract requirements, reasons for non-conformance are to be provided in the in the form of a written report detailing the barriers to compliance and suggested solutions. The Principal may approve an exemption or partial exemption sought through the submission.

6. Compliance

Reporting

The Contractor is to provide monthly Indigenous Employment Reports to support progress for payment against the Indigenous Employment Provisional Sum.

Audit

The Representative of the Principal may conduct audits on compliance of tender and contract.

Contractor Performance

The Contractor will be required to provide a report on compliance (achievements against the contract requirements) with the Indigenous Development Plan within thirty (30) days of the completion of the Contract. Contract performance outcomes may be taken into consideration for future construction project tender evaluations.

7. Review of the Policy

The Policy and associated documents will be reviewed six months following implementation and thereafter annually.

A review of the Policy will occur immediately following changes in the elements of the Procurement Framework that influence intended outcomes of the Policy.
C: RCP Policy Document (as publicly available)
Remote Contracting Policy

Aboriginal people are approximately 33% of the Northern Territory population. Approximately 80% of the Aboriginal population of the Northern Territory live in remote communities, meaning some 70,000 people live in areas with little or no economic activity in the NT.

The Centre for Aboriginal Economic Policy and Research at the Australian National University estimates that to close the employment gap 116,000 Aboriginal people need to find work and all Aboriginal people currently in work need to stay in work. They further estimate that of these 116,000 jobs 39,000 need to be found in remote areas. A significant percentage of Aboriginal Australians living in remote areas live in the Northern Territory, meaning a large number of the 39,000 jobs will need to be found in the Northern Territory.

The Northern Territory Government (NTG) is working in partnership with Aboriginal people across the NT to deliver better livelihood outcomes. While we are proud to see confident expression of Aboriginal identity, culture and language across the NT, government and Aboriginal leaders would also like to see similarly strong outcomes in education, health, employment and business development.

The NT Government supports the view that integrated and coordinated action across all policy areas is required, and that economic development is the first amongst equals of the suite of policies. Culture and land are vital, education and good health are foundations but unless you have access to an economy in which you as an individual can trade goods and services you cannot build a life for yourself or your family, and you cannot contribute to your immediate community or society more broadly.

A major focus of the government is to support Aboriginal economic development, particularly in remote areas through the pragmatic contracting for remote government goods and services.

The policy

This Remote Contracting Policy details what actions the NTG is taking to support remote economies and communities.

The three key actions are:

1. Setting employment and business development targets. The targets will be achieved by NTG agencies through contracting for housing, infrastructure, roads and civil works and general delivery of goods and services.

2. Implementing new contract planning requirements. This will include the identification of five year investment horizons that detail all known planned public (NTG, Australian Government and local), private and community sector investment. This will enable alignment of capital projects and business sustainability. The relevant organisation will be responsible for ensuring that value for money for government is delivered; that it is on time, on budget and on specification.

3. Providing professional services support to local Aboriginal businesses. This will be provided through the Department of Business across the Northern Territory, in relation to matters such as gaining NT and/or Australian governments contracting accreditation. Additional areas of focus will be business administration and management, such as governance, laws, human resource, financials and project management.

The outcomes will be achieved through implementing minor whole-of-government changes to NTG contracting practices, with enhanced collaboration with Australian and local governments, the private and non-government sectors, and by working more closely with Aboriginal businesses and organisations that employ significant numbers of Aboriginal Territorians over the long term.
Employment and business development targets

<table>
<thead>
<tr>
<th>Policy</th>
<th>Measure</th>
<th>Target</th>
<th>Baseline</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Supporting 2000 private sector Aboriginal jobs</td>
<td>1000 by provisional sum contract requirement</td>
<td>Approx 100</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1000 by Aboriginal business contracting to government or community sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business development</td>
<td>Open and select tender (1)</td>
<td>Typically awarding of minor repairs and maintenance contracts on essential services, housing and transport assets to local businesses</td>
<td>70%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>Open tender</td>
<td>Tender response must demonstrate joint venture with local business for contract over $5 million</td>
<td>Minimum 5 per year</td>
<td>0</td>
</tr>
</tbody>
</table>

1) Measured as a percentage of the total number of tenders in remote areas.

Contract planning

The Office of Aboriginal Affairs (OAA) in the Department of Local Government and Community Services (DLGCS) is responsible for graphing five year, place based investment pipelines based on known planned expenditure. To do this they will liaise with all NTG agencies and the private and community sectors.

They will be responsible for directing which contracts released by which NTG agencies can be directed towards local businesses through open or select tender or through open tender with joint venture requirements, and what is the timing of their release. DLGCS and Department of Business will work with industry bodies and the not-for-profit sector to map local Aboriginal businesses to determine capability to deliver on NTG services and projects.

Department of Local Government and Community Services
Office of Aboriginal Affairs
PO Box 1596, Alice Springs NT 0871
Email: oaa@nt.gov.au
Phone: (08) 8951 5670
www.dlgcs.nt.gov.au

Professional services support

The Indigenous Business Development Team within the Department of Business is responsible for providing up-front and ongoing professional services support to local Aboriginal businesses.

This support will be delivered in the format and timeframe that is optimal for the sustainability of the Aboriginal business and to provide value for money in contract delivery.

The format and timeframe of the support will vary depending on the starting point and ambitions of the local Aboriginal business and will be guided by the level of engagement by their partner company in any joint venture contract arrangements.

Department of Business
Procurement NT
GPO Box 3200
Darwin NT 0801