

ITEM-23 LMM 11/12/2018 - City of Newcastle 'Buy Local' Procurement Policy

MOTION

That City of Newcastle:

1. Examines the benefits available to the City of Newcastle of purchasing goods, services and works from suppliers/contractors located within the Greater Newcastle region, including the benefits of local purchasing on generating local employment, building relationships with local suppliers, and fostering local innovation and emerging sectors;
2. Develops a draft Newcastle Buy Local Policy for Council's consideration, which includes an appropriate additional weighting(s) in the City's procurement processes for businesses operating in the Newcastle LGA, Greater Newcastle and the broader Hunter.

Background:

With its large operating and capital budgets, the City of Newcastle is a major economic driver. For example, the literature estimates that for every dollar spent by local government on capital works, there is a broader economic benefit of \$2.27¹.

It follows that the benefit of this spend can be further enhanced by acquiring services from local suppliers, located within the local government area or its immediate surrounding region.

Given Newcastle's status as a second-tier city, it has many of the agglomeration benefits of a mid-size economy, but local business can find it challenging to directly compete with the economic advantages of larger companies based in Sydney and internationally.

Consistent with the recommendations of the Office of Local Government's Tendering Guidelines (section extract below) this motion calls on Council to consider the benefits of utilising its procurement processes to promote expenditure with companies located within the Newcastle LGA and Greater Newcastle region, through the development of a draft local preference ('buy local') policy.

There are numerous other state and local authorities which have local procurement incentives including:

- City of Gold Coast: <http://www.goldcoast.qld.gov.au/documents/bf/buy-local-procurement-policy.pdf>
- Government of Western Australia: https://www.finance.wa.gov.au/cms/uploadedFiles/State_Supply_Commission/Policies/Buy_Local_Policy_April_2001.pdf
- Lake Macquarie City Council: <https://www.lakemac.com.au/downloads/6A209AC057D6DD1A08FDF7A6E61FACEADB01E6C8.pdf>

¹ Washan, Stenning & Goodman (2014)

Example: City of Gold Coast Buy Local weightings:

'Buy local' weighting

Local content weightings

15%	Gold Coast business (that has its head office on the Gold Coast)
12%	Branch office on the Gold Coast directly employing a minimum of 10 full-time equivalents (FTEs)
9%	Branch office on the Gold Coast, established for a minimum of six months, directly employing less than 10 FTEs
4%	Adjacent local government (Logan, Scenic Rim, Redland or Tweed Shire) business
2%	Queensland business
1%	Interstate business
0%	Overseas business

Office of Local Government Procurement and Tendering Guidelines:

OLG NSW Tendering Guidelines for NSW Local Government

1.6. Local Preference Policy

Councils often have a significant role in local and regional economic development. This may include consideration of local supply issues and Aboriginal and young people's employment participation policies.

The implementation of local preference policies is not necessarily inconsistent with the principles of National Competition Policy. However, the use of local preference in the evaluation of tenders and awarding of contracts possesses inherent risks in terms of anti-competitiveness and the maintenance of defensibility, accountability and probity.

Where a council wants to consider local preference as a factor in the supply of goods and services or the disposal of property, it should develop and adopt a local preference policy. This policy should be based on sound reasoning and outline the circumstances in which the council would bring this policy into effect. For example, where an additional cost would be incurred by the council in implementing its local preference policy, the maximum amount or percentage of that additional cost should be specified and the particular circumstances in which the amount should also be acceptable to the local community.

The policy, as well as a statement indicating the basis for its use, should be provided to any potential tenderers prior to their decision to submit a tender. Such a policy should be included in the tender documents and identified in the evaluation criteria.

When reporting the result of a tender evaluation process, the application of the policy should be clearly referred to and details provided regarding any additional costs to be incurred by the council if it accepts a tender, other than the lowest tender, as a result of the implementation of the policy.

Councils should also consider seeking legal opinion regarding their proposed local preference policy to ensure the policy does not breach either the Trade Practices Act 1974 (Cth), the Fair Trading Act 1987 (NSW), or various international trade agreements.