



## LOCAL PREFERENCE PURCHASING POLICY

Adoption Date: 17 December 2019

Review Date: 17 December 2020

Responsible Officer: Chief Financial Officer

### POLICY STATEMENT

This policy is to be read and implemented in conjunction with the following Council policies and procedures:

- Procurement of Goods and Services Policy
- Tendering Procedure
- Tendering Guidelines for NSW Local Government

The Council's Local Preference Purchasing Policy recognizes that overall value for money is about the broader economic benefits to the Shire, and not just the lowest price. The Council acknowledges that economic benefits flow to all local businesses where Council maximizes opportunities for local suppliers to compete for Council's business on the basis of value for money.

The Council's Local Preference Purchasing Policy aims to use Council's procurement actions to encourage and support local suppliers, and support economic activity within the Shire, where it is efficient to do so, while achieving the Council's overall value for money objectives. This approach seeks to maximize overall community benefit for the Shire.

### OBJECTIVES

The primary objective of the Local Preference Purchasing Policy is to achieve the best value for money in its procurement of goods and services, where possible giving preference to local suppliers, and non-local suppliers using local content, to support the Council's economic development.

### PROVISIONS

#### Definitions

In this policy (unless the context indicates otherwise):

1. **local content means** good and services procured from a local supplier or employees living permanently in the Walgett Shire Council local government area.
2. **local supplier will be defined as:**
  - a. An organisation /individual that operates from permanently staffed premises within the boundaries of Walgett LGA, and has operated from the premises for a minimum period of three (3) months before submitting the quotation or tender; or
  - b. An organisation that is more than 49.9% owned by an individual (or individuals) the live/s within the boundaries of Walgett LGA, and has done so for a minimum period of three (3) months before the organisation submits the quotation or tender. It is assumed that the individual/s reside/s at their address on the electoral role.
  - c. An organisation having submitted the appropriate documentation required to be considered a "Local Supplier" would include:
    - i. The address of the business premises within the Walgett Shire LGA
    - ii. The number of full time staff that operate from the premises

- iii. The name of the owner (or owners) of the organisation (and how they legally own more than 49.9% of the organisation submitted a quotation) and their address/es within the Walgett Shire LGA
- d. If subsequent investigations by Council prove that false declarations were made and this organisation should not be considered a “Local Supplier” then the “Local Preference” policy will not apply to this organisation.

3. **net cost means**, in relation to a quotation, tender or expression of interest, the total amount quoted or offered by a supplier for the supply of goods or services, including any freight or delivery charges and excluding GST, and any discounts or rebates offered by the supplier.

4. **Procurement request** means Tender under the Local Government Act 1993.

### **Policy Implementation**

To assist local industry and local economic development, the Council shall:

- a) encourage a “local preference purchasing” policy culture within the Council
- b) encourage local suppliers to participate in Council business by advertising in local newspapers and other means considered appropriate;
- c) ensure that procurement policies and procedure do not disadvantage local suppliers;
- d) ensure transparency in Council procurement practices;
- e) encourage use of local suppliers by contractors, whenever goods or services have to be sourced from outside the Shire;
- f) consider the non-price value for money considerations set out in this policy; and
- g) apply a price preference discount in favour of local suppliers, as set out in this policy

### **Non-price value-for-money considerations**

Council acknowledges that in assessing overall “value for money”, the following non-price considerations should be taken into account (where relevant) in relation to a Procurement Request:

- a) availability and access to after-sales service and maintenance;
- b) quality, type and availability of goods or services;
- c) advantages in dealing with a local supplier, including administrative and operational efficiency;
- d) the proportion of local content to be supplied;
- e) whole of life costs of the purchase or contract;
- f) compliance with specifications, guidelines and requirements;
- g) the supplier acknowledges, experience and ability to fulfill the requirements of the contract or purchase;
- h) the supplier’s commitment to supporting local business and the local economy through sub-contracting and other supplier arrangements;
- i) net benefits to the Shire, including economic benefits; and
- j) all other factors relevant to consideration of the particular Procurement Request.

Notwithstanding the Council’s Local Preference Purchasing Policy, an assessment of response to a Procurement Request must consider all of the above factors, in conjunction with price and locality considerations.

### **Price preference discounts**

For the purpose of comparing the price tendered by local and no-local suppliers, the price preference discounts set out below will be applied and given to:

- a) local suppliers submitting responses to Procurement Requests which are assessed in relation to this policy; and
- b) non-local suppliers submitting responses to Procurement Requests, which include use of local content and which are assessed in relation to this policy.

### **Local Supplier Discount**

For local suppliers who respond to Council's Procurement Requests, Council will assess their response as if their total net cost bid was reduced by 5%. Discounts will be limited to a maximum of \$15,000

### **Local Content Discount**

For non-local suppliers who respond to Council's Procurement Requests if at least 25% of the net cost of their response or tender includes or is attributable to local content, Council will assess such response as if the total net cost attributable to local content were reduced by 5%. Discounts will be limited to a maximum of \$15,000.

### **Obtaining discounts**

To be eligible for either discount, suppliers must specifically detail and explain in their response to Council's Procurement Request the particular facts upon which they rely to establish their eligibility for the discount and must provide any evidence of such eligibility as reasonably required by the Council.

### **Procedural matters**

All Procurement Requests (Tenders & Quotations) issued by Council must clearly state whether and how a price preference for local suppliers will be applied so that respondents to such Procurement Requests are aware of Local Preference Purchasing Policy prior to responding to the Procurement Request.

If the Local Preference Purchasing Policy is applied in a procurement process, the community should be notified and advised of the cost to the community of applying the policy by posting details of the successful supplier, the monetary cost of applying the policy (only those discounts exceeding \$5,000), and a brief statement of the rationale behind the policy on the Council's website within a reasonable time of award of the tender.

Council in its Annual Report shall provide details of all discounts exceeding \$5,000, including details of the successful supplier, the monetary cost of applying the policy.

All Procurement Requests resulting in local preferences being applied must be capable of identification and verification through the Council's audit or internal control mechanism.

### **Overall local preference**

In the event that:

- a) the net costs bid by a local supplier and a non-local supplier are equal (after calculating any applicable discounts in accordance with this policy);
- b) both suppliers otherwise meet the criteria and requirements of the Procurement Request; and
- c) each supplier (and its goods and/or services) is otherwise regarded as being "equal", taking into account the non-price value-for-money considerations set out above,

Preference will be given to the local supplier.

To avoid doubt, normal processes of assessment of non-price considerations still apply, and this policy does not require that the lowest cost tender is necessarily successful. The purpose of this policy is to give preference to local suppliers (compared to non-local suppliers) where all else is equal.

## IMPLEMENTATION

Examples of how the Policy may be implemented are shown below:

### Example 1

A tender for the supply of goods and services attracts the following bids:

- a) Bid A of \$9,750 (net cost) is received from a non-local supplier, which is using non-local supplies and services. No price preference discount applies.
- b) Bid B of \$10,000 (net cost) is received from a local supplier within the municipality. A 5% price preference discount applies to the net cost, which is discounted to \$9,500 for comparison purposes.

The local price preference discount is applied as follows:

Tenders Received	Preference	Calculation	Total Bid for Evaluation Only
Bid A – (Non-Local Supplier) \$9,750	No preference applicable	N/A	\$9,750
Bid B – (Local Supplier) \$10,000	5% price discount is applied	Less 5% of \$10,000 = \$500	\$9,500

Bid B is successful, subject to all other considerations being met. Price paid is \$10,000.

### Example 2

A tender for a contract attracts the following bids:

- a) Bid A of \$490,000 (net cost) is received from a non-local supplier, which includes local content of \$150,000. Since local content comprises more than 25% of the net cost, a 5% price preference discount applies to the local content component of the bid. The discounted total net cost of the bid is therefore \$482,500 for comparison purposes.
- b) Bid B of \$497,500 is received from a local supplier. A 5% price preference discount applies to the total net cost of the bid. The discount is limited to the maximum discount of \$15,000. The total discounted net cost of the bid becomes \$482,500 for comparison purposes.

The price discount preferences are applied as follows:

Tenders Received	Preference	Calculation	Total Bid for Evaluation Only
Bid A – (Non-Local Supplier) \$490,000	5% price discount is applied to the local content.	Less 5% of \$150,000 = \$7,500	\$482,500
Bid B – (Local Supplier) \$497,500	5% price discount is applied	Less 5% of \$497,500 = \$24,875 Limited to \$15,000	\$482,500

Because Bid B comes from a local supplier, and on the basis that all other considerations were equal, Bid B is successful even though the discounted prices were equal. Price paid is the original \$497,500, thus costing the Council a notional \$7,500 (i.e. Council could have purchase from non-local supplier for \$490,000).

**REVIEW**

This Policy shall be reviewed annually by the Corporate Services Department.

**History of Policy Review**

<b>Version</b>	<b>Adoption Date</b>	<b>Minute No</b>	<b>Details of Review</b>