

Local Preference Purchasing Policy

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Local Preference Purchasing Policy	1.0.0	May 2021
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Purpose

To ensure that Council achieves the best 'overall value-for-money' in its procurement of goods and services, while (where possible) giving preference to local suppliers, and non-local suppliers using local content, to support economic development in the Greater Hume Shire Council Local Government Area (LGA).

Scope

- That Council's Local Preference Purchasing policy recognises that 'overall value-for-money' is about broader economic benefits to the Council area and not just the lower price. Council acknowledges that economic benefits flow to all local businesses where Council maximises 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 local economic activity, where it is efficient and cost effective to do so, while achieving the Council's 'overall value-for-money' objectives. This approach seeks to maximise overall community benefit for the Council area where possible within given regulatory and budgetary constraints.

Definitions

In this policy (unless the context indicates otherwise):

- (a) **Local content** means goods or services procured from a local supplier or employees living permanently in the Greater Hume Shire Council local government area.
- (b) **Local supplier** means a business, contractor or industry:
 - either permanently based in, or employing permanent staff operating from, permanent premises situated within the Greater Hume Shire Council LGA boundaries for not less than six months prior to the date of the Procurement Request, and
 - registered or licensed in New South Wales or
 - where at least one of the key Principals of the business, contractor or industry have been a ratepayer of Greater Hume Shire Council for not less than six months prior to the date of the Procurement Request.
- (c) **Net costs** means, in relation to a Quotation, Tender or Expression of Interest, the total amount offered by a supplier for the supply of goods or services, including freight or delivery charges, excluding GST and any discounts or rebates offered by the supplier.
- (d) **Procurement Request** means any purchasing transaction undertaken by Council, including those prescribed by the Tendering regulations under the Local Government Act 1993.

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- (e) **Submission** means any form of submitted pricing from a prospective supplier, including those received under the Tendering regulations under the Local Government Act 1993.
- (f) **Concession** means the application of a percentage-based 'reduction' of the pricing of any submissions deemed to comply with the above 'local content' and/or 'local supplier' definitions.

Policy Content

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

- (a) encourage a 'buy local' 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 procedures do not disadvantage local suppliers;
- (d) ensure transparency in Council procurement practices;
- (e) encourage the use of local suppliers by contractors, whenever goods or services have to be sourced from outside the Council area;
- (f) consider the non-price value-for-money considerations set out in this policy; and
- (g) apply a Pricing Preference Evaluation 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 and 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 to the purchase or contract;
- (f) compliance with specifications, guidelines and requirements;
- (g) the supplier's knowledge, experience and ability to fulfil 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 Council area, 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 responses to a Procurement Request must consider all of the above factors, in conjunction with price and locality considerations.

Pricing Preference Evaluation

Pricing Preference Concessions – up to \$99,999 (Net Cost)

A local Pricing Preference Concession system will apply to all purchases up to the value of \$99,999 (Net Cost) invited by Council for the supply of goods and services, unless Council resolves that this policy is not to apply to a particular Procurement Request.

For the purpose of comparing prices submitted by local and non-local suppliers, the pricing preference concessions 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 who respond to Council's Procurement Requests, which include use of local content and which are assessed in relation to this policy.

For the purposes of evaluating and selecting the successful supplier, either local or non-local, the following levels of price preference concessions will be applied under this policy:

Purchases up to \$2,500 local suppliers should be used where possible and where 'best value' principles can be demonstrated.

Purchases from \$2,501 and up to \$5,000 local suppliers will be given a 10% concession;

Purchases from \$5,000 - \$99,999 local suppliers will be given a 5% concession;

The above concessions may also apply to suppliers based outside the Greater Hume Shire Council LGA where such suppliers:

- (a) Use goods, materials or services of a significant amount via sub-contracts that are sourced within the Greater Hume Shire Council area. The concession applied to the value of the goods, materials or services sourced and used from the local government area; or
- (b) Can demonstrate the use of locally sourced products and services as opposed to the using products and services from outside the Greater Hume Shire Council area.

In these circumstances, the concession is only applicable to the local content component of the price of that section of the tender, and not the total price submitted.

Obtaining concessions

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

Procedural matters

All Procurement Requests issued by Council for purchases of \$100,000 or more in value should clearly state whether and how a price preference for local suppliers, where deemed applicable, will be applied so that respondents to such Procurement Requests are aware of Local Preference Purchasing Policy prior to responding to the Procurement Request.

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

Overall local preference

In the event that:

- (a) the net costs bid by a local supplier and non-local supplier are equal (after calculating and applying applicable concessions 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, then 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 submission 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 – Local Supplier

Examples of how the policy may be implemented are shown below.

Example: A submission 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 concession applies.
- (b) Bid B of \$10,000 (net cost) is received from a local supplier within the Council area. A 5% price preference concession applies to the net cost, amending the submitted price to \$9,500 for comparison purposes only.

The local supplier price preference concession is applied as follows:

Submissions Received	Preference	Calculation	Total Bid For Evaluation Only
Bid A – Non-local supplier	No preference applicable	n/a	\$9,750
Bid B – Local supplier	5 % price concession is applied	Less 5% of \$10,000 = \$500	\$9,500

Bid B is successful, subject to all other considerations being met.

Price paid to the supplier is \$10,000.

Implementation – Local Content

Submissions Received	Preference	Calculation	Total Bid For Evaluation Only
Bid A – Non-local supplier	20% of total contract price provided by local supplier(s)	$\$95,000 \times 20\% =$ $\$19,000$ less 5% = $\$950$ $(\$95,000$ less $\$950 =$ $\$94,050$	\$94,050
Bid B – Local supplier	5% price concession is applied	Less 5% of \$100,000 = \$5000	\$95,000

Bid A is successful, subject to all other considerations being met.

Price paid to supplier is \$95,000 which is \$5,000 less than the local supplier but includes 20% of the work being completed by local suppliers.

Pricing Preference Assessments – \$100,000 and above (Net Cost)

Assessment Criteria Method

For Procurement Requests of high value (\$100,000 or more Net Cost), it is considered that the above Pricing Preference Concession system is unsuitable as a percentage-based concession could a) unduly favour a local supplier over a non-local supplier; b) have an undesirable value-for-money impact on Council's budget; and c) may contravene tendering regulations under the Local Government Act 1993.

For Procurement Requests of \$100,000 or more (Net Cost), Local Content is to be included as a measurable criterion when submissions are being evaluated to determine a successful supplier. This criterion will form a part of a predetermined and advised 100-point Assessment Criteria which allow appropriate comparison of submissions received.

For assessment purposes, the 'Local Benefit' criterion will be limited to a maximum of 10 points; that is, this criterion is not to exceed 10% of the total 100-point Assessment Criteria.

The below table is an example of a standard Assessment Criteria for submissions of \$100,000 or more (Net Cost), including those received under the Tendering regulations under the Local Government Act 1993. This example includes the points 'assigned' to different criteria, determined as vital to the Procurement Request concerned, and weighted by importance. Note: the overall Assessment equals 100 points, and the 'Local Benefit' component equals 10 points, the maximum allowable under this policy.

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	Weighting	Score	Local Pty	Regional A	Regional B
Value for money (price)	60%		60	59	59
Previous experience	10%				
Safety Record	10%	Example			
Quality Systems	10%	Only			
Environmental Systems	10%				

Example

	Local Pty	Regional A (20% local content)	Regional B (no local content)
Quoted Price	\$125,000	\$122,500	\$120,000
Less local preference 5%	\$6,250	\$1,225	\$0
Comparative price	\$118,750	\$121,275	\$120,000

Determining price comparison

The weightings identified above are determined prior to reviewing the quotations and as based on the particular requirements of the work. Council sets these thresholds internally based on a particular project. They must be specified before the quotes/tenders are considered to ensure the successful quote/tender cannot be manipulated.

In determining the score applied for price the following formula is to be used (assuming the lowest quote will attract the full 60 points).

$$A = \frac{C}{B} \times (D \times 100)$$

Score = A
 Price of specific quote to be weighted (after comparative) = B
 Lowest quoted price after comparative = C
 Weighting applied to price = D

Regional A

$$A = \frac{\$118,750}{\$121,275 \times 60\% \times 100}$$

$$A = 58.75$$

$$A = 59 \text{ (rounded to nearest whole number)}$$

Regional B

$$A = \frac{\$118,750}{\$120,000 \times 60\% \times 100}$$

$$A = 59.37$$

$$A = 59 \text{ (rounded to nearest whole number)}$$

Assuming all other criteria are equal Local Pty would be selected at a nett cost to Council of \$5,000

Complaints

Any complaints in relation to the application of this policy should be made in writing to the General Manager.

Links to Policy

Greater Hume Shire Council - Procurement Policy
Greater Hume Shire Council – Contract Management Policy

Links to Procedure

Greater Hume Shire Council – Procurement Procedure

Links to Forms

Insert Content

References

Greater Hume Shire Council - Code of Conduct
Greater Hume Shire Council - Statement of Business Ethics

Responsibility

All staff with purchasing delegations

Document Author

General Manager

Relevant Legislation

Local Government Act 1993
Local Government (General) Regulations 2005
Office of Local Government - Tendering Guidelines

Associated Records

Not applicable