Council Policy: Buy Local Policy (Regional Price Preference)

1. Policy Statement

1.1 A price preference will apply to quotations of $30,000 value or greater, and all tenders invited by the City of Albany, for the supply of goods and services and construction (building) services, unless Council resolves that this policy not apply to a particular quotation or tender.

1.2 The following levels of preference will be applied under this policy:

Goods or Services up to a maximum price reduction of $50,000:

- 10% to businesses located within the municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup (Prescribed Area).

Construction (building) services up to a maximum price reduction of $50,000:

- 5% to businesses located within the municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup (Prescribed Area).

Goods or Services, including construction (building) services, up to a maximum price reduction of $500,000, if Council is seeking tenders for the provision of those goods or services for the first time, due to those goods or services having been, until then, undertaken by Council:

- 10% to businesses located within the municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup (Prescribed Area).

1.3 The levels of preference outlined in 1.2 above, will be applied as either a regional business preference or as a regional content preference:

Regional Business Preference

This preference enables businesses/contractors within the municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup (Prescribed Area) to claim a price preference for their whole bid, regardless of the origin of the labour or materials, as all labour and materials are deemed to be regional content.

To qualify as a local business/contractor, a supplier must meet the following conditions:

- A permanent office in the Prescribed Area for at least six (6) months prior to bids being sought
- Permanent staff based in the Prescribed Area
- That bidding and management/delivery of the majority of the quotation/contract outcomes will be carried out from their business location in the Prescribed Area

The price of the bids from the local businesses/contractors will be reduced (for evaluation purposes only), by the amounts set out in section 1.2 of this policy.

Regional Content Preference

This preference provides an incentive for businesses/contractors outside the Prescribed Area to purchase goods, services and construction from within the Prescribed Area. The preference applies to the value of the goods, materials or services purchased and used in the Albany region, and are referred to as "Regional Content". The preference percentages are as set out in section 1.2 of this policy.

Please note: Travel and accommodation costs associated with sending Staff/Sub Contractors from outside the Prescribed Area to work on a regional contract, are not considered regional content and are not eligible for the "Regional Content Preference".

Businesses wishing to claim any of the above price preferences, must complete a preference questionnaire/response form that is distributed with each quotation of $30,000 value or greater, and is also included in tender documentation. Eligible businesses within the Prescribed Area must clearly state their full business location and postal address.

Businesses outside the Prescribed Area, who claim that they will use regional businesses (Regional Content) in the delivery of the contract outcomes, may be required, as part of the contract conditions, to demonstrate that they have actually used them.

1.4 It should be noted that price is only one factor to be considered when the City of Albany assesses quotations and tender submissions. Value for Money principles will be used to achieve the best possible outcome for every dollar spent by the City of Albany. This is achieved by assessing against weighted Evaluation Criteria rather than simply selecting the lowest purchase price.

EXAMPLES OF THE APPLICATION OF THE REGIONAL PRICE PREFERENCE POLICY

Example 1

Consider a scenario where the following three tenders, to supply goods or services, are received by a local government that has chosen a 10% rate of preference.

- Tender 1 is from a regional tenderer (as defined by the Council in its policy).
- Tender 2 is from a metropolitan based firm and uses goods and services sourced from the metropolitan area.
- Tender 3 is from a metropolitan based firm but uses $50,000 worth of goods and services sourced from the region defined in the local government's regional price preference policy.

Tenders Received	Price of Tender	Price Reduction at 10% rate of preference	Adjusted price used for evaluation purposes
Tender 1	$100,000	$10,000 (10% of $100,000)	$90,000 (i.e. $100,000 less $10,000)
Tender 2	$95,000	No preference applicable	$95,000
Tender 3	$97,500	$5,000 (10% of $50,000)	$92,500 (i.e. $97,500 less $5,000)

As can be seen from the table, in terms of price, the tender from the regional tenderer (Tender 1) is the most advantageous once the preference has been applied.

Example 2

This example highlights how the **maximum price reduction** affects the assessment of tenders. The following is a scenario where tenders are called to supply construction (building) services by a local government that has chosen a 5% rate of preference.

- Tender 1 is from a regional tenderer.
- Tender 2 is from a metropolitan based firm that sources materials from the metropolitan area.

Tenders Received	Price of Tender	Price Reduction at 5% rate of preference	Adjusted price used for evaluation purposes
Tender 1	$1,200,000	Less 5% of $1,200,000 = $60,000. However the maximum price reduction is limited to $50,000.	$1,150,000 (i.e. $1,200,00 less $50,000)
Tender 2	$1,145,000	No preference applicable	$1,145,000

In this case, in terms of price alone, Tender 2 is the most advantageous.

However, it is important to emphasise that price is only one of the criteria used to determine a successful tenderer. Nonetheless, when the tenders are assessed against all the tender criteria, the adjusted price is the one to be used. That is, the price following the application of any preference.

2 Objective

To seek to maximise the use of competitive local businesses in goods, services and works purchased or contracted on behalf of the City of Albany.

3 Scope

The Policy is to apply to quotations of $30,000 value or greater (Major Quotations), and all Tenders invited by the City of Albany, for the supply of goods and services and construction (building) services, unless Council resolves that this policy not apply to a particular tender. Major Quotations and Tenders are dealt with jointly by the Responsible Officer for that Quotation/Tender (various Departments across the organisation) and Procurement Officer (Corporate Services).

4 Legislative and Strategic Context

In February 2000, the *Local Government (Functions and General) Regulations 1996* were amended to allow non-metropolitan local governments to offer a price preference to regional suppliers when deciding which Quotation/Tender to accept. A price preference can only be applied if a local government authority has adopted a regional price preference policy.

5 Review Position and Date

Executive Director Corporate Services to review annually.

6 Associated Documents

- *Local Government Act 1995*
- *Local Government (Functions and General) Regulations 1996*
- Tender/Contract procedure
- Quotation procedure
- Evaluation procedure (Tenders and Quotations)
- Purchasing Policy (Tenders and Quotations)

7 Definitions

- ***Local business/Contractor*** must meet the following conditions:

  - A permanent office in the Prescribed Area for at least six (6) months prior to bids being sought
  - Permanent staff based in the Prescribed Area
  - That bidding and management/delivery of the majority of the Contract outcomes will be carried out from their business location in the Prescribed Area

- ***Prescribed Area***: Municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup.

- ***Regional Business Preference****:* Incentive for businesses/contractors located within the municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup (Prescribed Area).

- ***Regional Content Preference***: Incentive for businesses/contractors outside the Prescribed Area to purchase goods, services and construction from within the Prescribed Area. *Travel and accommodation costs are not included.*

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