
1.8 Buy Local Policy (Regional Price Preference)

Policy Owner	Executive Director Corporate & Commercial Services
Responsible Officer	Manager Finance
Date of Approval	27/02/2015
Amended	22/10/2024

Objective

1. The objectives of this policy are to:
 - a. Promote local business participation in providing goods, services, and construction (building) services to the City of Albany.
 - b. Enhance economic development and job creation within the local community.
 - c. Ensure compliance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996, particularly in relation to Part 4A – Regional Price Preference.

Scope

2. The Policy is to apply to Major Quotations (quotations between \$50,000 and \$250,000 in value) and Tenders (contracts valued at \$250,000 or greater) invited by the City of Albany, for the supply of goods and services and construction (building) services, unless Council resolves that this policy does not apply to a particular proposal.
3. Major Quotations and Tenders are dealt with jointly by the Responsible Officer for that Quotation/Tender (various departments across the organisation) and Procurement Officer.

Strategic Context

4. This Policy relates to the following elements of the City of Albany Strategic Community Plan and Corporate Business Plan:
 - a. Pillar: Prosperity. Outcome: A strong, diverse, and resilient economy with work opportunities for everyone.
 - b. Pillar: Leadership. Outcome: Strong workplace culture and performance.
 - c. Pillar: Leadership. Outcome: A well informed and engaged community.

Policy Statement

5. A price preference will apply all Major Quotations and Tenders invited by the City of Albany, for the supply of goods and services and construction (building) services, unless Council resolves that this policy does not apply to a particular proposal.
6. This Policy will be applicable to suppliers located within the municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup ("Prescribed Area").
7. A preference may be given to a supplier within the Prescribed Area by assessing the proposal from that supplier as if the price bids were reduced by:
 - a. Up to 10% - where the contract is for goods or services, up to a maximum price reduction of \$50,000; or
 - b. Up to 5% - where the contract is for construction (building) services, up to a maximum price reduction of \$50,000; or
 - c. Up to 10% - where the contract is for goods or services or construction (building) services, up to a maximum price reduction of \$500,000, if the City of Albany is seeking proposals for the provision of those goods or services or construction (building) services for the first time, due to those goods or services having been, until then, undertaken by the City of Albany.
8. The levels of preference outlined in (7) above, will be applied as either a regional business preference or as a regional content preference.
9. Although the buy local policy applies for purchases of \$50,000 or greater, the principles of this policy can apply to all purchases across the City of Albany and should be applied wherever possible.
10. In alignment with our commitment to supporting the local economy, staff are encouraged to prioritise purchases from small, local, independent businesses, rather than large corporate entities, wherever practical and feasible. Purchases are to be made in accordance with this Policy as well as aiming to achieve the objectives in the City's Purchasing Policy.

Regional Business Preference

11. This preference enables businesses/contractors within the 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.
12. To qualify as a local business/contractor, a supplier must meet all of the following conditions:
 - a. A permanent place of business in the Prescribed Area for at least six (6) months prior to bids being sought.
 - b. Permanent staff based in the Prescribed Area.
 - c. 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.
13. The price of the bids from the local businesses/contractors will be reduced (for evaluation purposes only), by the amounts set out in section (7) of this policy.

Regional Content Preference

14. This preference provides an incentive for businesses/contractors outside the Prescribed Area to purchase goods, materials and services from within the Prescribed Area. The preference applies to the value of the goods, materials or services purchased by the City of Albany and are referred to as "Regional Content". The preference percentages are as set out in section (7) of this policy.

15. Travel and accommodation costs associated with sending staff and/or 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”.

Claiming a Preference

16. Businesses wishing to claim any of the above price preferences, must complete a preference questionnaire/response form that is distributed with each quotation of \$50,000 value or greater, and is also included in request for quotation/tender documentation. Eligible businesses within the Prescribed Area must clearly state their full business location and postal address.
17. 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.
18. 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 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 which 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)

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. \$1,200,000 less \$50,000)
Tender 2	\$1,145,000	No preference applicable	\$1,145,000

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

19. It is important to emphasise that price is only one of the criteria used to determine a successful tenderer. However, when the tenders are assessed against all the evaluation criteria, the adjusted price is the one to be used for evaluation purposes (the price following the application of any preference).

Legislative Context

20. This policy provides compliance with the Local Government Act 1995 (the Act) and the Local Government (Functions and General) Regulations 1996 (the Regulations).
21. Under the Local Government (Functions and General) Regulations 1996, Part4A covers the requirements for Regional Price Preference. This includes the requirement for Local Governments to adopt a regional price preference policy.

Review Position and Date

22. This policy is to be reviewed by Council every two years.

Associated Documents

23. The following documents that have a bearing on this policy and that may be useful reference material for users of this policy:
 - Local Government Act 1995
 - Local Government (Functions and General) Regulations 1996
 - City of Albany Strategic Community Plan
 - City of Albany Corporate Business Plan
 - Purchasing Policy
 - Tender Procedure
 - Quotation Procedure
 - Evaluation Procedure (Tenders and Quotes)