



Policies, Procedures and Guidelines

LOCAL PREFERENCE PURCHASING POLICY

GEN005

OBJECTIVE

This policy has been developed to ensure that Lachlan Shire Council (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 Lachlan Local Government Area (LGA).

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 maximise overall community benefit for the Shire.

SCOPE

This policy applies to all Council staff, businesses, organisations and any parties involved in procurement and tendering activities.

DEFINITION

Local Content:

- means goods or services procured from
- i. a local supplier, as defined below;
OR
 - ii. a business that has had employees living permanently in Lachlan Shire Council for not less than six months prior to the date of the Procurement request.

Local Supplier:

- means Local Supplier is a business who meets at least one of the following criteria:
- i. is a ratepayer in Lachlan Shire Council;
OR
 - ii. has a physical premises located in Lachlan Shire Council and must be owned by locals or employ;
OR
 - iii. local staff employs staff permanently based in the Lachlan Shire Council.

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.

Concession:

means the application of a percentage-based 'reduction' of the pricing of any submission deemed to comply with the above 'local content' and/or 'local supplier' definitions.

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POLICY

Policy Implementation

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

- Encourage a 'buy local' culture within the Council;
- Encourage local suppliers to participate in Council business by advertising all tenders, contracts and expressions of interest in a manner readily available to the local community;
- Package requirements in appropriately sized contracts to suit market capacity and encourage local competition;
- Ensure that procurement policies and procedures do not disadvantage local suppliers;
- Ensure transparency in Council procurement practices;
- Encourage use of local suppliers by contractors, whenever goods or services have to be sourced from outside the Shire;
- Consider the non-price value-for-money considerations set out in this Policy; and
- Apply a price preference concession in favour of local suppliers, as set out in this Policy.

Tendering – Application of the Preference

The tender threshold is currently \$250,000.

Where the aggregated or cumulative cost of a contract conducted over more than one financial year is likely to exceed the tendering threshold then a tender is required. Invoice or order splitting to avoid tendering requirements is not permitted under legislation.

For procurements over \$250,000 obtained through a tender process no price preference will be applied. Where applicable, it will be a requirement that the tender assessment criteria will include a 10% local content weighting criteria.

Non-price value-for-money consideration

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:

- availability and access to after-sales service and maintenance;
- quality, type and availability of goods or services;
- advantages in dealing with a local supplier, including administrative and operational efficiency;
- the proportion of local content to be supplied;
- whole-of-life costs of the purchase or contract;
- compliance with specifications, guidelines and requirements;
- the suppliers knowledge, experience and ability to fulfil the requirements of the contract or purchase;
- the suppliers commitment to supporting local businesses and the local economy through sub-contracting and other supplier arrangements; and
- net benefits to the Shire, including economic benefits.

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.

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Price preference concession

For the purposes of comparing the price tendered by local and non-local suppliers, the price preference discount set out below will be applied and given to:

- Local suppliers submitting responses to Procurement Requests which are assessed in relation to this policy; and
- Non-local suppliers submitting responses to Procurement Requests, which include use of local content and which are assessed in relation to this policy.

Local suppliers will receive a 10% concession on their submission up to a maximum concession of \$25,000.

Non-Local suppliers using local content will receive a 10% concession on the local content component only of their submissions up to a maximum concession of \$25,000.

Obtaining Concessions

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 requested by the Council.

Procedural matters

All Procurement Requests issued by Council must clearly state if and how a price preference for local suppliers will be applied so that respondents to such Procurement Requests are aware of the Local Preference Purchasing Policy.

All Procurement Requests resulting in local preferences being applied must be clearly documented.

Overall Local preference

In the event that after any discounts allowed under this policy are applied, quoted prices from a local supplier and a non-local supplier are equal

AND

- both suppliers otherwise meet the criteria and requirements of the Procurement Request; and
- 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 be clear:

- normal processes of assessment of non-price considerations still apply, and
- this policy does not require that the lowest cost tender be necessarily successful.

The purpose of this policy is to give preference to local suppliers (compared to non-local suppliers) only where all else is equal.

It should be understood the supplier quoted price for the good remains the same. The discount is

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only applied for the purpose of deciding who will supply the product to council.

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:

- Quote A of \$9,750 is received from a non-local supplier, which is using non-local supplies and services. No price preference discount applies as there is no content identified.
- Quote B of \$10,000 is received from a local supplier within the Shire. A 10% price preference discount applies to the net cost, which is discounted to \$9,000 for comparison purposes.

The local price preference discount is applied as follows:

Tenders received	Preference	Calculation	Total bid for evaluation
Quote A (non-local supplier) \$9,750	No preference applicable	n/a	\$9,750
Quote B (local supplier) \$10,000	10% price discount is applied	Less 10% of \$10,000 = \$1000	\$9,000

Quote B is successful, subject to all other considerations being met. **Price paid by Council to the supplier remains \$10,000.** The discount is only applied for the purposes of choosing a supplier.

In this case it is clear the lowest tender price was not successful but it is clearly demonstrated as to why quote B was chosen.

EXAMPLE 2

A tender for contract attracts the following bids:

- Quote A of \$490,000 (net cost) is received from a non-local supplier, which includes local content of \$150,000. A 10% price preference discount applies to the local content component of the bid (\$150,000). The discounted total net cost of the bid is therefore \$475,000 for comparison purposes.
- Quote B of \$500,000 (net cost) is received from a local supplier. A 10% price preference discount applies to the total net cost of the bid. The discount is limited to the maximum discount of \$25,000. The total discounted net cost of the bid becomes \$475,000 for comparison purposes.

The local price preference discount is applied as follows:

Tenders received	Preference	Calculation	Total bid for evaluation
Quote A (non-local supplier) \$490,000	10% price discount is applied to the local content	Less 10% of \$150,000 = \$15,000	\$475,000 (\$490,000 less \$15,000)
Quote B (local supplier) \$500,000	10% price discount is applied up to the maximum discount of \$25,000	Less 10% of \$500,000 = \$50,000 (Maximum discount that can be applied is \$25,000)	\$475,000 (\$500,000 less \$25,000)

As Quote B comes from a local supplier, and on the basis that all other considerations were equal, Quote B is successful even though the discounted prices were equal.

Price paid by Council to the supplier remains \$500,000. The discount is only applied for the purposes of choosing a supplier. This is an example of the lowest price not being successful.

The application of the local preference purchasing policy means Council pays \$10,000 more than it could have for the same good or service as the non-local supplier price was \$490,000. However the application of the policy is for overall community benefit.

RIGHT TO VARY

Council reserves the right to vary or terminate this policy at any time.

RELATED DOCUMENTS

Local Government Act 1993

Local Government (General) Regulation 2005

Tendering Guidelines for NSW Local Government – October 2009

Code of Conduct for Staff

Code of Conduct for Councillors

Lachlan Shire Council Procurement Policy

Greg Tory

GENERAL MANAGER

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