



Council Policy

City of Albany

Buy Local Policy (Regional Price Preference)

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04	Amended	21.07.2009		Executive Director Corporate & Community Services

DOCUMENT PREAMBLE

The City of Albany 'Buy Local' policy forms an important component of our strategic direction, as outlined in 'Albany 2020 Charting Our Course'. It directly contributes to the City's Port of Call (key focus area):

"The attraction and development of a broad range of social, cultural and economic entities"

by addressing the specific objective of Economic Development:

"to identify and facilitate outstanding economic development opportunities for the City of Albany"

This objective recognises that families will only be able to live in Albany if there are real educational, employment and social opportunities for all age groups. Economic prosperity provides the community with the resources to invest in and support other social and cultural opportunities. It is therefore critical that Council policies and practices promote new economic development opportunities so that families have wider choices for their future in Albany.

The purpose of the City of Albany 'Buy Local' Policy is to facilitate local economic development by encouraging the retention of Council expenditure within the local economy. Increased circulation of rates and other Council revenue streams within the Albany region has a direct financial impact on the competitive businesses that are able to supply goods and services to Council and also has a multiplier or 'knock on' effect to other businesses and the broader community. By minimising 'economic leakages' from the local economy the City of Albany can make a tangible contribution to the economic prosperity of our community.

FOREWORD



The City of Albany spends around \$20m per annum on goods and services. As one of Albany's largest organisations, we are aware of the economic benefits of having local businesses participate in our expenditure program. The circulation of rates and other revenue streams throughout the local economy will lead to increased income and employment for local businesses, resulting in economic growth in the Albany region. Combined with the State Government's Buy Local Policy, which also gives a price preference to regional suppliers of goods and services, this initiative aims to provide real economic benefits to the Albany community.

The City of Albany Buy Local Policy focuses on providing a price preference to competitive local business and is based upon the underlying concept of value for money principles. These principles consider a contract's whole of life costs and other social or economic benefits that outweigh the simple one-off purchase price view, or purchasing at the lowest cost. The policy covers all the City of Albany's purchasing of goods, services (including consultants) and works (including construction).

Staff at the City of Albany (and its predecessor organisations) are conscious of the benefits to the local economy that result from purchasing goods and services from competitive local businesses. The City will also consider non-price factors when comparing tenders, however the emphasis of this policy is to formalise a price preference, within the guidelines of new local government regulations.

The policy attempts to strengthen the City's efforts to support local businesses that can demonstrate value for money principles and will be reviewed annually to ensure its effective application and the financial impact on City resources.



Milton Evans
Mayor

1.0 INTRODUCTION

'Albany 2020 – Charting our Course' is the City of Albany's principal strategic planning document. One of its objectives or 'ports of call' is to identify and facilitate outstanding economic development opportunities for the City of Albany.

The City of Albany spends around \$20m each year on goods and services and as part of its economic development objectives, aims to maximise the use of competitive local businesses in the provision of goods, services and works. Staff involved in procurement activities are aware of the benefits of buying from competitive local businesses, however affirmative action through the provision of policy guidelines have been non-existent.

On 25 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 tender to accept. A price preference can only be applied if a local government authority has adopted a regional price preference policy.

2.0 STATUTORY REQUIREMENTS FOR LOCAL GOVERNMENT PRICE PREFERENCE POLICIES

The Local Government (Functions and General) Regulations state that Regional Price Preference policies adopted by local governments must include the following criteria:

- **Specification of the region to which the price preference will apply**
Each local government has the flexibility to choose the area that the policy will apply to. While the region cannot be smaller than the area of the local government adopting the policy, the region can be as large as the whole state (excluding the metropolitan area). In addition, the region can vary according to the nature of goods and services being sought.
- **Which businesses will be able to obtain a price preference?**
A price preference can be applied to goods or services provided by businesses operating out of premises located within the region chosen by the local government. The regulations require these businesses to have been operating out of these premises for a continuous period of not less than six months. The price preference will apply to such businesses even if they source their products from outside the region chosen.

A price preference can also apply to a business, which is located outside the region defined by the local government. However, in this case the preference only applies to the goods and services that the business sources from within this region.

- **The size and application of the price preference**

The regional price preference policy must include the price preference that will apply to the goods and services for which tenders are let. The regulations place a limit on the maximum preference that can be applied. These are:

- Up to 10% when the contract is for goods and services, up to a maximum price reduction of \$50,000.
- Up to 5% when the contract is for construction (building) services, up to a maximum price reduction of \$50,000, and;
- Up to 10% when the contract is for goods and services, including construction (building) services, up to a maximum price reduction of \$500,000 if the local government is seeking tenders from the private sector for the provision of those goods and services for the first time. That is, when a function is being outsourced by the local government.

- **Notice of proposed policy**

State wide advertising of the proposed policy is required before Council can adopt the policy. The notice must include:

- The region to which the policy is to relate;
- Details of where a copy of the policy may be obtained, and;
- A statement inviting submissions on the policy with a closing date of no less than four weeks for submissions

- **Adoption and application of the policy**

Following consideration of the submissions, the local government can then adopt the policy. However the regulations require that:

- An adopted policy does not apply until the local government gives State wide notice that it has adopted the policy;
- The adopted policy applies to all tenders unless the local government decides otherwise. *(The intention is that a decision to not apply the policy would need to be made on a contract by contract basis. That is, a decision should not have effect for a number of contracts);*
- The local government ensures that a copy of the policy is included with any tender specifications to which the policy applies *(Although the regulations do not require the advertisement for tenders to include the fact that a regional purchasing preference applies to regional tenders, local governments may wish to do so);*
- A copy of the policy is available at the Council offices for inspection by members of the public.

If the local government wishes to change the provisions of its policy it will need to go through the same process as if it were establishing a new policy as described above.

3.0 THE CITY OF ALBANY 'BUY LOCAL POLICY'

3.1 Vision

Local businesses employing local people, creating new skills and generating economic growth in servicing the City of Albany's requirements.

3.2 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

3.3 Policy

3.3.1 A price preference will apply to 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.

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

Goods and Services up to a maximum price reduction of \$50,000

- 10% to businesses located within the City of Albany.
- 5% to businesses located within local governments having a reciprocal regional price preference policy.

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

- 5% to businesses located within the City of Albany.
- 2.5% to businesses located within local governments having a regional price preference policy that reciprocates a price preference to business located within the City of Albany.

Goods and 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 business located within the City of Albany.
- 5% to businesses located within local governments having a regional price preference policy that reciprocates a price preference to business located within the City of Albany.

- 3.3.3 The levels of preference outlined in 3.3.2 above, will be applied as either a regional business preference or as a regional content preference.

Regional Business Preference

This preference enables businesses within the municipal areas of Albany, 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. A reduced percentage preference will also apply to businesses located within local governments having a regional price preference policy that provides a price preference to City of Albany businesses.

When undertaking purchases of goods, services or works for delivery to Albany, the City of Albany will apply a price preference to bids received from businesses located within the prescribed area. The price of the bids from the local business will be reduced (for evaluation purposes only), by the amounts set out in section 3.3.2 above.

The regional business preference is only available to regional businesses that bid and manage/deliver the majority of the contract outcomes from their regional business location.

Regional Content Preference

This preference provides an incentive for businesses outside the prescribed preference zone 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 is referred to as 'regional content'.

Travel and accommodation costs associated with sending people from outside the prescribed preference zone to work on a regional contract are not considered regional content and are not eligible for the regional content preference. The preference percentages set out in section 3.3.2 of the policy.

Businesses wishing to claim any of the above price preferences must complete a preference questionnaire that is distributed with each quotation and is included in tender documentation. Eligible businesses within the prescribed preference zone must clearly state their full business location and postal address and the preference is only available to regional businesses who bid and manage/deliver the majority of the contract outcomes from their regional business location.

Businesses outside the local 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.

3.3.4 It should be noted that price is only one factor to be considered when the City of Albany assesses 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 all costs and benefits rather than simply selecting the lowest purchase price.

4.0 EXAMPLES OF THE APPLICATION OF THE REGIONAL PRICE PREFERENCE POLICY

Example 1

Consider a scenario when the following 3 tenders to supply goods and 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	\$1 00,000	\$10,000 (10% of \$1 00,000)	\$90,000 (\$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 (\$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.

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.

Regional Business Preference

This preference enable businesses within the municipal areas of Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup 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.

When undertaking purchases of goods, services or works for delivery to Albany, the City of Albany will apply a price preference to bids received from businesses located within the prescribed area. The price of the bids from the local business will be reduced (for evaluation purposes only), by the amounts set out in section 3.3.2 of the City of Albany Buy Local Policy.

The regional business preference is only available to regional businesses that bid and manage/deliver the majority of the contract outcomes from their regional business location.

Regional Content Preference

This preference provides an incentive for businesses outside the prescribed preference zone (Albany, Denmark, Plantagenet, Jerramungup and Gnowangerup) 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 is referred to as 'regional content'.

Travel and accommodation costs associated with sending people from outside the prescribed preference zone to work on a regional contract are not considered regional content and are not eligible for the regional content preference. The preference percentages set out in section 3.3.2 of the policy.

Businesses wishing to claim any of the above price preferences must complete a preference questionnaire that is distributed with each quotation and is included in tender documentation. Eligible businesses within the prescribed preference zone must clearly state their full business location and postal address and the preference is only available to regional businesses who bid and manage/deliver the majority of the contract outcomes from their regional business location.

Businesses outside the local 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.

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	Reduced 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 (\$1,200,000 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.

5.0 Price Preferences for Goods and Services Supplied from within other local governments.

Price preferences are also applied for the provision of goods and services from suppliers located within local governments having a regional price preference policy that reciprocates a price preference to business located within the City of Albany

6.0 State Government Purchasing Policies

The City of Albany Buy Local Policy will operate within the framework of State Government procurement policies and agreements. The Western Australian Government is a signatory to the Australian and New Zealand Government Procurement Agreement (ANZGPA), which disallows discrimination in the form of preference arrangements against bids from other States and Territories in Australia and New Zealand. Accordingly, price preferences are not applied when local businesses are in direct competition with compliant bids from other States or Territories of Australia or New Zealand.

The Policy will also be applied so it is consistent with other Commonwealth and State policies such as anti-dumping and provisions for assessing import content.

7.0 Annual Review

The policy will be reviewed on an annual basis to assess the financial impact on Council resources and the level of local purchasing. The Council may revise the percentage preference rates as a result of each review.