

## 1.1: AUDIT AND FINANCE COMMITTEE

**Proponent** : City of Albany  
**Responsible Officer** : Acting Chief Executive Officer (G Foster)

### ITEM 1.1: COMMITTEE RECOMMENDATION 1 VOTING REQUIREMENT: SIMPLE MAJORITY

THAT the confirmed minutes of the Audit and Finance Committee meeting held on 26 November 2012 be RECEIVED.

### ITEM 1.1: COMMITTEE RECOMMENDATION 2 VOTING REQUIREMENT: ABSOLUTE MAJORITY

THAT the following Unscheduled Capital Works Requests be APPROVED from the remaining \$190,000 available in the Unscheduled Works budget Account Number 3157, with a further \$20,000 being allocated from Account Number 133370:

UNSCHEDULED CAPITAL WORKS REQUESTS		
Capital Category	Job Description	Budget
Drainage	Ulster Road-Drainage Upgrade outside Woodthorpe Primary School	\$60,000
Drainage	Ashkey Boulevarde-Drainage Upgrade outside Agonis Garden	\$10,000
Drainage	Premier Circle-Drainage Upgrade	\$10,000
Drainage	Drainage-Verdi/Serpentine Pit Upgrade	\$10,000
Drainage	Beaufort Road Roundabout Drainage Upgrade	\$15,000
Drainage	Minor Road Drainage Upgrade	\$15,000
Drainage	Bay View Drive-Drainage Upgrade	\$15,000
Roads	Soil Stabilisation Trials	\$50,000
Drainage	Festing Street	\$15,000
Drainage	RAAFA Amity Village	\$10,000
<b>TOTAL</b>		<b>\$210,000</b>

### ITEM 1.1: COMMITTEE RECOMMENDATION 3 VOTING REQUIREMENT: SIMPLE MAJORITY

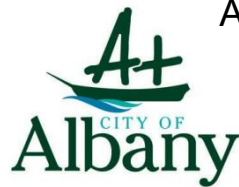
THAT Council ADOPT the Investment of Surplus Funds Policy.

**ITEM 1.1: COMMITTEE RECOMMENDATION 4  
VOTING REQUIREMENT: SIMPLE MAJORITY**

**THAT Council ADOPT the revised Buy Local Policy which includes the application of the regional price preference of 10% to quotations valued at \$30,000 or greater and to allow an exemption for procurement from WALGA and State/Commonwealth Government common use contracts.**

**ITEM 1.1: COMMITTEE RECOMMENDATION 5  
VOTING REQUIREMENT: SIMPLE MAJORITY**

**THAT Council ADOPT the revised Purchasing Policy (Tenders and Quotes).**



## AUDIT & FINANCE COMMITTEE

### MINUTES

for the meeting commencing at 7.05pm on Monday 26 November 2012,  
in the Margaret Coates Boardroom, City Office, North Road, Albany

**(File Ref: AM1228386 / FM.MEE.1)**

**Terms of Reference:** *The Committee is established under section 7.1A of the Local Government Act 1995 (the Act) and its Regulations. The Committee does not have any delegated authority from Council.*

#### 1.0 ATTENDANCE

<b>Mayor</b>	D Wellington (Deputy Chair)
<b>Councillors:</b>	
Y Atwell	Member
R Hammond	Member
S Bowles	Member
G Gregson	Member
C Holden	Member
A Hortin	Member
R Sutton	Member
G Stocks	Chair
V Calleja	Member
D Dufty	Member
<b>Staff:</b>	
Acting Chief Executive Officer	L Hill
Executive Director Works & Services	S Grimmer
Executive Director Community Services	C Woods
Executive Director Corporate Services	G Adams
Executive Director Planning and Development Services	D Putland
Manager, Finance	D Olde
Minute Taker	A Dwyer
<b>Apologies/Leave of Absence:</b>	
D Bostock	Member
C Dowling	Member

## AGENDA ITEM 1.1 REFERS

### 2.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

#### ITEM 2.0: RESOLUTION

**MOVED: COUNCILLOR BOWLES**  
**SECONDED: MAYOR WELLINGTON**

**That the minutes of the Audit Committee held on 24 September 2012, be confirmed as a true and accurate record of proceedings, with the following amendment:**

**Item 7.1: Councillor Attwell requested Acting CEO to clarify what areas of work fall under the Audit and Finance Committee.**

**The unconfirmed minutes of the Audit Committee meeting held on Monday 22 October 2012, as previously distributed, be confirmed as a true and accurate record of proceedings.**

**CARRIED 11-0**

### 3.0 DISCLOSURE OF INTEREST

<b>Name</b>	<b>Item Number</b>	<b>Nature of Interest</b>
Mayor Wellington	5.1	<b>Financial.</b> Mayor Wellington is a retailer in the City of Albany. The Mayor remained in the meeting and participated in the discussion and vote.
Councillor Hortin	5.1	<b>Financial.</b> Councillor Hortin is a retailer in the City of Albany. Cr Hortin remained in the meeting and participated in the discussion and vote.
Councillor Hortin	5.2	<b>Impartiality.</b> Councillor Hortin is a board member of Albany Cemetery. Cr Hortin left in the room and did not participate in the discussion.
Councillor Calleja	5.2	<b>Financial.</b> Councillor Calleja has client relationships with the Albany Cemetery. Cr Calleja left the room and did not participate in the discussion.
Councillor Calleja	5.7	<b>Proximity.</b> Councillor Calleja is an Executive Member of the Albany Chamber of Commerce and Industry. Cr Calleja remained in the meeting and participated in the discussion.

### 4.0 STANDING ITEMS FOR DISCUSSION

#### 4.1 Monthly Financial Report

**Reporting Officer:** Executive Director Corporate Services

- Financial Report for month ending October 2012 emailed to Committee with agenda – no queries.
- Collateralised Debt Obligations (CDO's) – There have been a number of developments in recent weeks which are being investigated by our advisors. These developments have been reported in the media with varying degrees of accuracy. Advice is that if everything goes according to plan then our CDO portfolio could offer a return significantly higher than the previously budgeted amount.

## AGENDA ITEM 1.1 REFERS

- Albany Septage JV – discussion on future of joint venture with Water Corporation.

### Action:

- List item at a future Audit and Finance Committee meeting.
- Recirculate information to Councillors from a briefing put to Council in March 2012.
- Investigate possibility of leasing land to contractor as is.

#### Item 4.1: RECOMMENDATION

**MOVED: COUNCILLOR CALLEJA**  
**SECONDED: COUNCILLOR GREGSON**

**That the Septage facility goes into Care and Maintenance for up to 12 months whilst the City considers future options.**

**CARRIED 11-0**

- Clayton Utz will provide briefing to Council mid December regarding an outstanding legal claim.

#### ITEM 4.1: RESOLUTION

**MOVED: COUNCILLOR DUFTY**  
**SECONDED: COUNCILLOR CALLEJA**

**THAT the Monthly Financial Report be NOTED.**

**CARRIED 11-0**

### 4.2 Strategic Project Update:

- Oyster Harbour / Emu Point works (ED Works & Services)  
Works on wall repair to be completed on time and may come in under estimated cost.
- Centennial Precinct (A/ED Community Services)  
Stakeholders have been given the opportunity to feedback to the City on draft master plan. Site survey needs to be completed. Regional Development Australia (RDA), Round Four Expression of Interest (EOI) to be completed and lodged by 6 December 2012. If the EOI is successful, then the next step is to complete a full business case on the proposal.

#### Item 4.2: RECOMMENDATION

**MOVED: COUNCILLOR SUTTON**  
**SECONDED: COUNCILLOR CALLEJA**

**That an application is made for RDA Round 4 funding through the EOI process for Centennial Precinct. Total project cost estimated at \$18 million.**

**CARRIED: 11-0**

## AGENDA ITEM 1.1 REFERS

- Anzac (A/Chief Executive Officer)  
Alliance Board voted to undertake feasibility study. Initial report on the scoping study for 1 November 2014 event, will be discussed by Albany Commemorative Event Working Group on 14 December.

### Item 4.2: RECOMMENDATION

MOVED: COUNCILLOR SUTTON  
SECONDED: COUNCILLOR BOWLES

That a workshop be organised with the full Alliance and all Councillors to answer queries. Organise workshop for a date after the interim CEO commences.

LOST: 6-5

- Mt Clarence (A/Chief Executive Officer)  
Work has started as Council has awarded the Tender.

#### Action:

A/CEO to follow-up with Manager of Major Projects regarding Councillor Dufty's query regarding the design of steps.

### ITEM 4.2: RESOLUTION

MOVED: COUNCILLOR DUFTY  
SECONDED: MAYOR WELLINGTON

**THAT the Monthly Project Reports and Anzac Update be NOTED.**

**CARRIED 11-0**

#### 4.3 Capital Works and Unscheduled Works Report

Reporting Officer: ED Works and Services

- Capital Works Programme 2012 – 2013 report  
Report emailed to Councillors with Agenda
- Unscheduled Works report  
Report emailed to Councillors with Agenda

#### Action:

ED Works and Services to investigate drainage problems in Ashkey Bvd. Yakamia, raised by Councillor Sutton, as being a new sub-division it may be an insurance issue.

### Item 4.3: RECOMMENDATION:

MOVED: COUNCILLOR GREGSON  
SECONDED: COUNCILLOR HORTIN

**That the Unscheduled Capital Works Requests listed in Item 4.3 report, be approved from the remaining \$190,000 available in the Unscheduled Works budget – Account Number 3157 with a further \$20,000 being allocated from the Relocation of Depot – Review Account Number 133370**

**CARRIED: 11-0**

### ITEM 4.3: RESOLUTION

MOVED: COUNCILLOR DUFTY  
SECONDED: COUNCILLOR ATTWELL

**THAT the Capital Works and Unscheduled Works Report be NOTED.**

**CARRIED 11-0**

**5.0 ITEMS FOR DISCUSSION**

**5.1 Deregulated Trading**

Three proposals received:

(1) Councillor Bostock: a more organised, inclusive, comprehensive survey be performed covering Albany, Mt Barker and Denmark residents, together with a detailed consultation with ACCI in order to document the views of the tourism industry, independent retailers and business groups. No support, therefore, motion lost.

(2) Councillor Bowles withdrew her recommendation.

(3) Councillor Holden presented an alternative motion:

1. That the wording of the original motions be clarified by the alternate wording as below:

“That the City make an application to the Department of Commerce for complete deregulation of trading hours with the City of Albany”

That in accordance with the wishes of Council as shown by the absolute majority decision at the ordinary meeting of Council on 21 February 2012, an application be sent to the Department of Commerce along with the results of the survey and all other relevant documentation to request the introduction of Complete deregulation of trading hours within the City of Albany A/CEO clarified that complete deregulation refers to 24/7 x 365 day per year trading hours. This is different to extended trading on Sundays.

Recommendation that was laid on the table at the OCM held 18 September 2012, and will be taken back to the December 2012 OCM for discussion and decision.

**5.2 City of Albany and Albany Cemetery Board, Memorandum of Understanding (MOU) (copy sent with Agenda)**

(Councillor Hortin and Councillor Calleja left the room)

ED Corporate Services gave a brief history of what he understood of the intent of the MOU drawn up in 2007. *Albany Public Cemeteries Act 1952* empowered the Town and Shire of Albany to subsidise the funds of the Trustees of the Albany Public Cemeteries and to authorise the making and levelling of rates to obtain monies for that purpose.

**Action:** ED Corporate Services to:

- 1) Request copy of Cemetery Boards end of year financial figures for 2012.
- 2) Request an updated business plan (one on file is 5 years old), as per the MOU.

(Councillor Hortin and Councillor Calleja re-entered the room)

**5.3 Investment of Surplus Funds – Draft sent with Agenda**

Duncan Olde, Manager Finance, identified policy is that it is modelled on a number of other Local Government policies. ED Corporate Services explained by spreading the investments through a variety of institutions the risks are minimised.

**Item 5.3: RECOMMENDATION**

**MOVED: COUNCILLOR HOLDEN**

**SECONDED: COUNCILLOR HAMMOND**

**That Audit and Finance Committee recommended Council to adopt the Investment of Surplus Funds Policy.**

**CARRIED: 11-0**

## AGENDA ITEM 1.1 REFERS

### 5.4 Legal and Risk - update given by ED Corporate Services.

**Item 5.4: RESOLUTION:**

**MOVED: COUNCILLOR GREGSON  
SECONDED: COUNCILLOR ATTWELL**

**That the verbal update on the Legal and Risk Register is NOTED.**

**CARRIED: 11-0**

### 5.5 Visitor Centre, ACCI proposal

ACCI met with A/CEO and other City staff and expressed an interest in the Albany Visitors Centre.

**Action:**

A/ED Community Services to come back to the Committee, February 2013 (allowing analysis of the business after 18 months operation by the City), with a report on the current financial position, determination of elements of commercial value, etc.

### 5.6 Integrated Planning – update by ED Works and Services – Stephen Grimmer (SG)

SG has been to four different Local Governments' to study their strategic planning process. Aiming for City to be compliant by 30 June 2013 deadline. Councillors agreed to commit to Strategic Planning Workshops. SG is willing to facilitate these and will circulate dates.

**Item 5.6: RESOLUTION:**

**MOVED: COUNCILLOR BOWLES  
SECONDED: COUNCILLOR GREGSON**

**That the verbal report on the update of Integrated Planning is NOTED.**

**CARRIED: 11-0**

## 6.0 ITEMS TO BE DISCUSSED AT FUTURE MEETINGS

- 6.1 Review of Buy Local Policy – Draft
- 6.2 Review of Purchasing Policy (Tenders & Quotes) – Draft

## 7.0 GENERAL DISCUSSION

- 7.1 Chairperson called for a Special Audit & Finance Committee meeting be held on 17 December 2012 to review the City's Financial Statements for the Annual Report.
- 7.2 Albany Regional Cabinet Meeting held on 29 October 2012  
The Mayor provided an overview a presentation he made to Cabinet whilst they were in Albany in October.

## 8.0 DATE OF NEXT MEETING: 17TH DECEMBER 2012

## 9.0 CLOSURE OF MEETING AT 9.40PM



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## Council Policy – Investment of Surplus Funds

### 1.0 Objective

The policy on Investment of Surplus Funds is intended to reflect the intention of Council to minimize the possibility of incurring capital loss on any investment whilst providing a reasonable rate of return.

The objectives of the Policy on Investment of Surplus funds are:

- To provide maximum capital security of funds.
- To provide the best available rate of interest from an approved source.
- To ensure sufficient liquidity to meet Council's cash flow requirements.

### 2.0 Scope

The policy applies to any investment of surplus funds other than bank deposits for operational purposes.

### 3.0 Definitions

Standard & Poor's Rating Guide

- '**AAA**' Extremely strong capacity to meet financial commitments. Highest rating
- '**AA**' Very strong capacity to meet financial commitments
- '**A**' Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
- '**BBB**' Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
- '**BBB-**' Considered lowest investment grade by market participants

Fitch Ratings

- aaa:** Highest fundamental credit quality  
'**aaa**' ratings denote the best prospects for ongoing viability and lowest expectation of failure risk. They are assigned only to banks with extremely strong and stable fundamental characteristics, such that they are most unlikely to have to rely on extraordinary support to avoid default. This capacity is highly unlikely to be adversely affected by foreseeable events.
- aa:** Very high fundamental credit quality  
'**aa**' ratings denote very strong prospects for ongoing viability. Fundamental characteristics are very strong and stable; such that it is considered highly unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity is not significantly vulnerable to foreseeable events.
- A:** High fundamental credit quality  
'**a**' ratings denote strong prospects for ongoing viability. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
- Bbb:** Good fundamental credit quality  
'**bbb**' ratings denote good prospects for ongoing viability. The bank's fundamentals are adequate, such that there is a low risk that it would have to rely on extraordinary support to avoid default. However, adverse business or economic conditions are more likely to impair this capacity.

#### 4.0 Policy Statement

##### Authorised Institutions

Investments are limited to authorised institutions, in accordance with *Local Government (Financial Management) Regulations Section 19C*, being:

- Authorised deposit-taking institution as defined in the *Banking Act 1959 (Commonwealth) section 5*; or
- The Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation 1986*.

##### Authorised Investments

The only types of authorised investments under *Local Government Act 1995 - section 6.14(1)*, and *Local Government (Financial Management) Regulations 1996 – Regulation 19C*, are as follows;

- Deposits with an authorised institution and the term is to be no more than 12 months;
- Bonds that are guaranteed by the Commonwealth Government, or a State or Territory government with a term to maturity of up to 3 years; and
- Australian currency only.

##### Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes including:

- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

##### Risk Management Guidelines

Investments obtained are to comply with three key criteria relating to:

- Portfolio Credit Framework: Limit overall exposure of the portfolio as a whole, according to credit rating.
- Counterparty Credit Framework: Limit exposure to individual counterparties/institutions, based on credit rating.
- Term to Maturity Framework: limits based upon maturity of securities to ensure adequate working capital needs are met.

If any of the Council's investments are downgraded such that they no longer fall within the investment policy, they will be divested as soon as practicable. Investments fixed for greater than 12 months are to be reviewed on a regular term and invested for no longer than 3 years.

##### (a) Portfolio Credit Framework

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

S&P Long Term Rating	S&P Short Term Rating	Fitch Ratings	Maximum % in Credit rating Category
AAA	A-1+	AAA	100%
AA	A-1	AA	100%
A	A-2	A	60%
BBB	A-3	BBB	40%

**(b) Counterpart Credit Limit.**

Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the table below.

S&P Long Term Rating	S&P Short Term Rating	Fitch Ratings	Maximum % in one authorised Institution (Counterparty Credit Limit)
AAA	A-1+	AAA	45%
AA	A-1	AA	35%
A	A-2	A	20%
BBB	A-3	BBB	10%

**(c) Term to Maturity Framework**

The investment portfolio is to be invested within the following maturity constraints:

Investment Type	0 to 3 Months		3 to 6 Months		6 to 12 Months		1 to 2 years		2 to 3 Years	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Deposit with ADI – Maximum 12 months	15%	100%	0%	60%	0%	40%	NA	NA	NA	NA
Government Bonds	0%	20%	0%	20%	0%	20%	0%	20%	0%	10%

**Reporting to Council**

A monthly report will be provided to Council. The report will detail the investment portfolio in terms of holdings and impact of changes in market value since the previous report. The monthly report will also detail the investment income earned versus budget year to date and confirm compliance of Council’s investments within legislative and policy limits. Council may nominate additional content for reporting.

**5.0 Legislative and Strategic Context**

Legislation covering investment of surplus funds includes:

- *Local Government Act 1995* Section 6.14.
- *The Trustees Act 1962* – Part III Investments as amended by the Trustees Amendment Act.
- *Local Government (Financial Management) Regulations 1996* – Regulation 19, Regulation 19C, Regulation 28 and Regulation 49.
- *Australian Accounting Standards*.

**6.0 Delegated Authority**

That, under section 6.10 of the *Local Government Act 1995*, and as prescribed in regulation 19 of the *Local Government (Financial Management) Regulations 1996*, the CEO be delegated to administer the Investment of Surplus Funds Policy.

**7.0 Prudent Person Standard**

The investment will be managed with the care, diligence and skill that a prudent person would exercise.

**8.0 Ethics and Conflicts of Interest**

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council’s investment portfolio. This policy requires officers to disclose any conflict of interest to the CEO.

**9.0 Review Position and Date**

- Policy reviewed 14/12/10 Item 4.3
- Policy amended 19/04/11 Item 4.7
- Chief Executive Officer to review on or before 30/6/2012.

**10.0 Associated Documents**

Nil

**Version Control**

Version	Date	Status	Distribution	Comment
01	20/05/08	Adopted	Internal/External	OCM Item 12.8.3
02	14/12/10	Reviewed/Adopted	Internal/External	OCM Item 4.3, Policy & Delegation Reviewed.
03	19/04/11	Amended	Internal/External	OCM Item 4.7 – That the Chief Executive Officer AMEND the Investment of Surplus Funds Policy to limit the investment of funds to be no more than \$1 million, or 10 percent (whichever is the greater) across the total investment portfolio with the Bendigo Bank, at any one time, and the investment term to be no more than 30 days.
04	26/11/2012	Amend	Audit & Finance Committee	For review by Audit & Finance Committee

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Council Policy

**City of Albany**

**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 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) A permanent office 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

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 the City of Albany Buy Local 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 the policy.

*Please note: Travel and accommodation costs associated with sending people 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 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 Qualitative 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 3 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.

<b>Tenders Received</b>	<b>Price of Tender</b>	<b>Price Reduction at 5% rate of preference</b>	<b>Adjusted price used for evaluation purposes.</b>
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 (\$97,500 less \$5,000)

## AGENDA ITEM 1.1 REFERS

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.

### 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.

<b>Tenders Received</b>	<b>Price of Tender</b>	<b>Price Reduction at 5% rate of preference</b>	<b>Adjusted price used for evaluation</b>
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 this case, in terms of price alone, Tender 2 is the most advantageous.

## 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).

This Policy does not apply where the supply of products or services is procured through the Western Australia Local Government Association (WALGA), State or Commonwealth Governments or any of its agencies that provide preferred supplier contracts or agreements.



#### 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

Chief Executive Officer to review on or before 30 June 2014.

#### 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**” meets the following conditions:

- a) A permanent office 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

“**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.*

## AGENDA ITEM 1.1 REFERS

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### Version Control

Revision No	Date	Status	Distribution	Comment
01	05.06.2001	Draft		
02	18.07.2001	Adopted	Economic Development Manager	
03	16.04.2002	Amended		
04	21.07.2009	Amended	Executive Director Corporate & Community Services	
05	22/08/2012	Draft	Executive Director Corporate Services	To EMT for review 19/09/12
06	26/09/2012	Draft	Executive Management Team	Endorsed by EMT
07	26/11/2012	Draft	Audit & Finance Committee	To Audit & Finance for review and recommendation to OCM

## Council Policy – Purchasing Policy (Tenders and Quotes)

### 1. Policy Statement

(1) The following protocols \* will apply to each category:

Category	Value (ex GST)	Minimum Protocol
Minor Purchase	0-\$1,000	1 Verbal Quote
Minor Quotation	\$1,001-29,999	2 Written Quotes
Major Quotation	\$30,000-99,999 <sup>+</sup>	3 Written Quotes
Major Purchase (Tender)	\$100,000 and over <sup>+</sup>	In accordance with Division 2 – Section 11 of the Local Government (Functions and General) Regulations 1996

\* If a purchase is made and the minimum protocol for quotations is not met, a file note signed by the Executive Director needs to be completed, detailing the reasons for not meeting the protocol. In this instance a copy of the file note will be forwarded to the Executive Director Corporate Services or appointed delegate.

<sup>+</sup> The City of Albany Buy Local Policy is to apply to both Major Quotations (\$30,000-99,999) and Major Purchases (Tender) (\$100,000 and over).

Purchasing Protocol does not apply where the supply of products or services is procured through the Western Australia Local Government Association (WALGA), State or Commonwealth Governments or any of its agencies that provide preferred supplier contracts or agreements.

The Chief Executive Officer has delegated authority from Council to undertake purchases of goods and services up to the value of \$250,000, and \$500,000 where the supply of products or services is procured through the Western Australia Local Government Association (WALGA), State or Commonwealth Governments or any of its agencies that provide preferred supplier contracts or agreements.

(2) All records associated with the above categories will be recorded and retained in line with the provisions of the *State Records Act 2000*.

- Tender documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation;
- Notification and award documentation;
- Quotation documentation;
- File Notes; and
- Order forms and requisitions.

## 2. Objective

- To provide best value to Council, and equity and transparency to suppliers of Council goods and services.
- To ensure consistency for all purchasing activities that integrates within all the City of Albany operational areas.

## 3. Scope

Applies to all staff with the authority to purchase goods and services. All officers and employees of the City of Albany shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the City.

## 4. Legislative and Strategic Context

To provide compliance with the *Local Government Act 1995* (“the Act”) and the *Local Government Act (Functions and General) Regulations 1996* (“the Regulations”) (as amended in March 2007)

## 5. Review Position and Date

Chief Executive Officer to review on or before 30/6/2014.

## 6. Associated Documents

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

## 7. Definitions

- **Minor Purchase** A purchase up to and including \$1,000
- **Minor Quotation** A purchase from \$1,001 to \$29,999
- **Major Quotation** A purchase from \$30,000 to \$99,999
- **Major Purchase (Tender)** A purchase of \$100,000 and above

# AGENDA ITEM 1.1 REFERS

## Version Control

Version	Date	Status	Distribution	Comment
01	20/05/08	Adopted	Internal/External	OCM 20/05/08 Item 12.2.1
02	15/12/09	Revised	Internal - Governance Committee	Revised, changed policy for minor quotes to two written quotes.
03	19/01/10	Revised/Adopted	Internal/External	OCM 19/01/10 Item 16.5.1.
04	22/04/10	Amendment	Internal - Governance Committee	Amendment, changed policy for minor purchases to one written quote.
05	15/07/10	Amended / Adopted	Internal/External	OCM 18/05/10 Item 16.4.1 Reformatted 15/07/10
06	29/12/10	Reformatted	Internal/External	Reformatting only.
07	07/08/12	Draft	Corporate Services	Draft Version to EMT for Review 19/09/2012
08	26/09/12	Draft	Executive Management Team	Endorsed by EMT
09	26/11/12	Draft	Audit & Finance Committee	To Audit & Finance for Review and Recommendation to OCM

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