

COUNCIL POLICY



Policy Name	Local Preference
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Abstract
 This Policy has been designed to ensure that Council achieves the best 'overall value-for-money' in its procurement of goods and services, while (where possible) giving preference to local suppliers to support economic development in the Gunnedah Local Government Area (LGA).

Dates	Policy or amendment approved	17 Feb 2016
	Policy or amendment takes effect	17 Feb 2016
	Policy is due for review (up to 4 years)	17 Feb 2018
Endorsed by	Executive Manager Business Systems and Governance	
Approved by	Gunnedah Shire Council at its Ordinary Meeting of Council held 17 Feb 2016 Resolution number: 13.02/16	
Policy Custodian	Executive Manager Business Systems and Governance	
Relevant to	Gunnedah Shire Council Elected Members Council staff and volunteers, suppliers and contractors General public	
Superseded Policies	Nil	
Related Documents	Policy – Procurement and Tendering, Management Directive – Procurement and Tendering, Procedure – Procurement and Tendering, Statement of Business Ethics, Instrument of Delegation of the General Manager, Tendering Guidelines for NSW Local Government, Code of Conduct, Accounts Payable Procedures, Management Directive – Corporate Credit Cards	
Related Legislation	Local Government Act 1993 Local Government (General) Regulation 2005 Competition and Consumer Act 2010 (Cth)	
File Number	945000	

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1. Purpose

To ensure that Council achieves the best 'overall value-for-money' in its procurement of goods and services, while (where possible) giving preference to local suppliers to support economic development in the Gunnedah Local Government Area (LGA).

2. Scope

- 2.1 This Policy applies in full to all persons involved in Council procurement and details measures to be used in all procurement activities undertaken.
- 2.2 This Policy is to be read and implemented in conjunction with all applicable legislation, Council's Policy and Management Directive on Procurement and Tendering, and associated Procedure documents.

3. Definitions

Term	Definition
Act	Local Government Act (NSW) 1993
Best Value or Value for Money	Best value in procurement is about selecting the supply of goods, services and works taking into account both cost and non-cost factors including: <ul style="list-style-type: none">▪ contribution to the advancement of Council's objectives;▪ non-cost factors such as fitness for purpose, quality, service and support; and▪ cost-related factors including whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of the goods, services or works.
Concession	The application of a percentage-based 'reduction' of the pricing of any submissions offered by suppliers deemed to comply with the below 'local supplier' definition.
Local	Refers to the Gunnedah Shire Local Government Area.
Local Benefit	A Local Benefit can be established where there is/are one or more of the following: <ul style="list-style-type: none">▪ locally sourced materials specific to the contract;▪ locally sourced services as a result of the contract (eg. fuel, accommodation);▪ locally sourced labour (people domiciled within the Gunnedah Shire Council LGA), either sub-contractors or employees, either at the time of tendering or as a result of being successful in the tender;

	<ul style="list-style-type: none"> ▪ a business premises in the Gunnedah Shire Council LGA.
Local Content	Goods and services procured from a local supplier or employees living permanently in the Local area.
Local Supplier	<p>A business, contractor or industry:</p> <ul style="list-style-type: none"> ▪ either permanently based in, or employing permanent staff operating from, permanent premises situated within the Local area for not less than six (6) months prior to the date of the procurement request; and ▪ registered or licenced in New South Wales.
Net costs	In relation to a Quotation or Tender or Expression of Interest, the total amount offered by a supplier for the supply of goods or services, including freight or delivery charges, excluding GST and any discounts or rebates offered by the supplier.
Procurement	Procurement is the whole process of acquisition of external goods, services and works, managing the procurement and any disposal.
Procurement Request	Means any invitation made by Council, for a supplier to provide a quotation for the provision of certain goods/services.
Quotation	A quotation is an external supplier's bid or offer to provide goods or services and represents a statement of price, terms of sale and description of goods/services offered by the supplier.
Submission	Any form of submitted pricing from a prospective supplier, including those prescribed by the Tendering Regulations under the Local Government Act 1993.
Regulation	Local Government (General) Regulation 2005
Tendering	Formal process for seeking offers for the supply of goods and services and the disposal of property whereby an invitation is extended and offers are made and considered, according to a set of pre-determined assessment criteria, prior to the creation of a contract for the supply of goods and services.

4. Policy Principles

- 4.1 Council's Policy on Procurement and Tendering specifically details five (5) key principles which are to govern all procurement and tendering activities. Those principles of Accountability and Transparency; Value for Money; Open and Effective Competition; Probity, Ethical Behaviour and Fair Treatment; and Workplace Health and Safety and Risk Assessment, together with the values and principles contained Council's Statement of Business Ethics and Code of Conduct, are to also be consistently applied to all processes outlined in this Local Preference Policy.
- 4.2 'Value-for-money' is a core procurement principle. Council acknowledges that:
- (a) Value-for-money does not imply that the lowest-priced option must be selected, as price alone is not a sufficiently reliable indicator of value. Rather, value-for-money is determined through a comparative analysis of all the costs and benefits of each proposal throughout its life, from sourcing materials through to running and eventual disposal ("whole of life evaluation");

- (b) A balanced whole of life evaluation includes consideration of a number of both cost and non-cost factors, including the broader economic benefits to the Council area; and
 - (c) That economic benefits flow to all local businesses where Council maximises opportunities for local suppliers to compete for Council's business on the basis of value-for money.
- 4.3 This Policy aims to use Council's procurement actions to encourage and support local suppliers and support local economic activity, where it is efficient to do so, whilst operating under budgetary and regulatory constraints and achieving Council's overall value-for-money objectives.

5. Policy Statement

5.1 Local Business Support

- 5.1.1 To assist local industry and to support local economic development, Council will encourage a 'buy local' culture within the organisation.
- 5.1.2 Council will endeavour to assist Gunnedah's Chamber of Commerce by providing them with education on Council's procurement and tendering process and advance notice, where possible, of Council's upcoming projects and demand for goods and services.
- 5.1.3 Council, when assessing responses to any procurement request, will take into account both cost and non-cost factors when seeking overall value-for-money.
- 5.1.4 In addition, Council will apply a two-tiered evaluation system designed to give local suppliers greater opportunities to seek Council business (as set out below).

5.2 Value-for-money considerations

- 5.2.1 Council acknowledges that in assessing value-for-money, the following cost and non-cost considerations should be taken into account (where relevant) in relation to a procurement request:

Cost factors:

- Initial price, whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of the goods, services or works.

Non-cost factors:

- Compliance with specifications, guidelines and requirements;
- Quality, type, fitness for purpose, availability of goods and services, and access to after-sales service and maintenance;
- The supplier's knowledge, experience and ability to fulfil the requirements of the contract or purchase;
- Reliability, past performance and risk profiles;
- Advantages in dealing with a local supplier, including administrative and operational efficiency;

- Net benefits to the Gunnedah Shire, including broader economic benefits (the proportion of local content to be supplied and job creation potential); and
- Sustainable and environmentally friendly purchasing principles.

Consideration of the above factors allows for the assessment of **overall** value-for-money.

5.3 Evaluation System

5.3.1 Purchases under \$150,000 (net cost)

- (a) Local suppliers who respond to Council's procurement requests under the value of \$150,000 (net cost), will have their submission assessed by Council as if their total net cost bid was reduced by 5%.
- (b) This concession provides a basis for price comparison only. All other value-for-money considerations still apply and need to be taken into account in making a determination as to which submission is successful. The purpose of this Policy is to give preference to local suppliers (compared to non-local suppliers), where all else is equal.
- (c) By way of example:

A procurement request for the supply of goods and services attracts the following submissions:

Bid A in the sum of \$9,750 (net cost) is received from a non-local supplier. No concession applies.

Bid B in the sum of \$10,000 (net cost) is received from a local supplier. A 5% concession applies to the net cost, which brings the bid to \$9,500 (for comparison purposes only).

Bid B is therefore successful, *subject to all other required criteria being met and comparable*. Price paid is \$10,000.

5.3.2 Purchases over \$150,000 (net cost)

- (a) Procurement requests of \$150,000 or more (net cost), are subject to formal tender processes and evaluation as per legislative requirements.
- (b) 'Local Benefit' is to be included as a mandatory measurable criterion when submissions are being evaluated to determine a successful supplier. This criterion will form part of a pre-determined and pre-advised 100-point Evaluation Criteria which allows for appropriate comparison of submissions received.
- (c) For assessment purposes, the Local Benefit criterion will be limited to a maximum of 10 points; that is, this criterion is not to exceed 10% of the total 100-point Evaluation Criteria.

- (d) Local Benefit can be established where a supplier qualifies as a local supplier and/or undertakes to use goods, materials or services of a significant amount via sub-contracts that are sourced within the Gunnedah Shire Council LGA.
- (e) The below table is an *example only* of a standard Evaluation Criteria for submissions over \$150,000 (net cost). It includes the different criteria determined as vital to the procurement request concerned and is weighted by importance. Once scoring has been completed by an evaluation panel for each of the submissions received, the supplier with the highest point score will be recommended for selection.

TABLE 1: **Example** Evaluation Criteria and Weighting

	SUGGESTED WEIGHTING	SELECTED WEIGHTING	SUPPLIER 1	SUPPLIER 2
Conformity with Tender documents (yes/no)				
Relevant Experience	5-20%	15		
Past Performance	5-20%	15		
Technical Skills	0-20%	3		
Management Skills and Systems	0-20%	3		
Resources	0-20%	3		
Methodology	0-20%	3		
WHS management systems	0-20% *	3		
Local Benefit	10% *	10		
Whole of Life Cost	10% *	5		
Price	10-40%	40		
TOTAL		100		

* As deemed appropriate giving consideration to tender project/service. Note that the overall Evaluation equals 100 points and of that, the Local Benefit component is 10%, the maximum allowed under this Policy.

5.4 Eligibility

5.4.1 Price Preference Concession

- (a) Any supplier wishing to receive the price concession offered to local suppliers for purchases under \$150,000 (net cost), must satisfy the following “Local Supplier” definition:

A business, contractor or industry:

- either permanently based in, or employing permanent staff operating from, permanent premises situated within the Local area for not less than six (6) months prior to the date of the procurement request; and

- registered or licenced in New South Wales.
- (b) Whilst Council officers will use their best efforts to recognise local suppliers when assessing submissions, in order to ensure that local supplier status is identified, suppliers will need to identify themselves as such within their submission. It is the supplier's responsibility to request that their submission be considered under application of this Local Preference Policy.

5.4.2 Local Benefit Criterion

- (a) For purchases over \$150,000 (net cost) attracting tender conditions, it is up to suppliers to address and specifically detail in their submission, how they meet the local benefit criterion and must provide any evidence of such as is reasonably required by Council. Any score given to a supplier for this particular criterion can only be determined based on the information received in the supplier's submission.
- (b) Council will confirm Local Benefit undertakings contained in accepted submissions. Providers who fail to materially meet Local Benefit undertakings may be subject to preclusion from future opportunities to do business with Gunnedah Shire Council.

5.5 Procedural Matters

5.5.1 All suppliers will be advised of the existence and application of Council's Local Preference Policy through the publishing of the Policy on Council's website. Reference to the Policy will also form part of any Request for Formal Quotation or Tender.

5.5.2 Council staff are to record any application of Council's Local Preference Policy within their valuation of submission as per Council's Management Directive on Procurement and Tendering. This will ensure that all procurement requests resulting in this Policy being applied are capable of identification and verification.

5.6 Policy Compliance

5.6.1 All those persons involved in Council's procurement processes are expected to carefully read and comply with the requirements and processes outlined in this Policy.

5.6.2 Non-compliance of this Policy may result in appropriate remedial action in the form of disciplinary action and/or dismissal, being taken.

6. Accountability, Roles and Responsibilities

6.1 Authorisation – General Manager

The General Manager is responsible for the setting of annual purchasing delegations of staff through official instrument.

6.2 Policy Custodian – Executive Manager, Business Systems and Governance

Council's Executive Manager of Business Systems and Governance is the officer accountable for managing Policy compliance, initiating the Policy review process, internal auditing requirements, and has responsibility for all aspects of Policy implementation, unless appropriately delegated to another officer.

6.3 Compliance – Directors/Managers and Staff

Whilst all persons involved in Council's procurement and tendering activities are deemed to be accountable for their own actions, responsibility also extends to an employee's direct Supervisor/Manager as they are charged with ensuring that employees under their control are made aware of the contents of this Policy and receive the necessary training required to partake in Council purchasing.

6.4 Assistance - Governance Team

Council's Governance Team is responsible for the provision and maintenance of relevant and current purchasing information, systems, techniques and contacts and responsible for providing assistance with any of Council's procurement related policies, management directives and/or procedures.

7. Acknowledgements

7.1 The following acknowledgements are made recognising organisations or documents that have provided a basis, instructive comment or templates that have been used to develop Council's Local Preference Policy:

- (a) Shoalhaven City Council Local Preference Policy;
- (b) Parkes Shire Council Local Preference Purchasing Policy;
- (c) Tumut Shire Council Local Preference Policy;
- (d) Lismore City Council Procurement Policy;
- (e) Liverpool Plains Shire Council Local Preference Policy;
- (f) Wyong Shire Council Policy for Local Preference – Procurement;
- (g) ICAC "Taking the Con out of Contracting – Guidelines for Managing Corruption Risks in Local Government Procurement and Contract Administration"; and
- (h) Office of Local Government Tendering Guidelines for NSW Local Government.

8. Version Control and Change History

Date	Version	Approved by & resolution no.	Amendment
October 2015	First Draft	Council Resolution 13.02/16	