

## BUY LOCAL POLICY – REGIONAL PRICE PREFERENCE

### Objective

To seek to maximise the use of competitive local businesses in goods, services and works purchased or contracted by the Shire of Gnowangerup.

### 1.0 Policy Statement

A price preference will apply to all tenders and quotations invited by the Shire of Gnowangerup for the supply of goods and services and constructions (building) services unless Council resolves that the policy does not apply to a particular tender or quotation.

The following levels of preference will be applied under this policy for local businesses within the Great Southern Region:

Amount of Tender/Quote	Price Preference Discount
\$1 - \$30,000	10%
\$30,001 - \$100,000	5%

**The maximum price reduction allowed is \$5,000.00** ( $\$100,000 \times 5\% = \$5,000$ )

The levels of preference outlined in 2 above, will be applied as a regional business preference:

### 2.0 Regional Price Preference

This preference enables businesses/contractors within the Great Southern Region 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 permanent office in the Great Southern Region for at least six (6) months prior to bids being sought;
- Permanent staff based in the Great Southern Region; and
- That bidding and management/delivery of the majority of the quotation/contract outcomes will be carried out from their business location within the Great Southern Region.

The price of the bids from the local businesses/contractors will be reduced (for evaluation purposes only), by the amounts set out in section 1.0 of this policy.

Businesses wishing to claim the above price preference must complete a preference questionnaire/response form that is distributed with each quotation and is also included in the tender documentation. Eligible businesses within the Great Southern Region must clearly state their full business location and postal addresses.

It should be noted that price is only one factor to be considered when the Shire of Gnowangerup assesses quotations and tender submissions. Value for money principles will be used to achieve the best possible outcome for funds spent by the Shire. This is achieved by assessing all costs and benefits rather than simply selecting the lowest purchase price. Other factors used in the value for money assessment may include:

- (a) Capacity of the business to deliver the goods or service;
- (b) Timeliness for delivery of goods and services;
- (c) Demonstrated experience and quality delivered by the business in past transactions;
- (d) After sales service ability of the business;
- (e) Other local economic benefits of the transaction;
- (f) Compliance with the Shire's Safety and Risk requirements;
- (g) Ongoing costs associated with the transaction; and
- (h) Contract management risks.

The Regional Price Preference Policy may not apply in the event of an emergency or where time constraints play a major factor in obtaining the goods or services from a local supplier.

### 3.0 Example of the Application of the Regional Price Preference

Consider the following scenarios where two submissions to supply goods or services are received by a local government that has chosen the same regional price preference as that used by the Shire of Gnowangerup.

- Submission 1 is from a local tenderer (as defined by the Council in its policy); and
- Submission 2 is from a metropolitan based firm and uses goods and services sourced from the metropolitan area.

## 3.1 Scenario 1

Submissions Received	Price of Submission	Price Reduction at 10% rate of preference	Adjusted price used for evaluation purposes
Submission 1	\$20,000	\$2,000 (10% of \$20,000)	\$18,000 (i.e. \$30,000 less \$3,000)
Submission 2	\$19,000	No preference applicable	\$19,000

As can be seen from the table, in terms of price, the submission from the local supplier (Submission 1) is the most advantageous once the price preference has been applied.

## 3.2 Scenario 2

Submissions Received	Price of Submission	Price Reduction at 10% rate of preference	Adjusted price used for evaluation purposes
Submission 1	\$50,000	\$2,500 (5% of \$50,000)	\$47,500 (i.e. \$50,000 less \$2,500)
Submission 2	\$48,000	No preference applicable	\$48,000

Again, with the application of the price preference, Submission 1 would be evaluated as providing the lowest price.

## 3.3 Scenario 3

Submissions Received	Price of Submission	Price Reduction at 10% rate of preference	Adjusted price used for evaluation purposes
Submission 1	\$120,000	No preference applicable	\$120,000
Submission 2	\$110,000	No preference applicable	\$110,000

In this scenario, both submissions are over \$100,000 so neither would have a price preference applied. Submission 2, therefore, would be evaluated as providing the lowest price.

## 4.0 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.

## 5.0 Definitions

**Local business/Contractor** must meet the following conditions:

- A permanent office in the Great Southern Region for at least six (6) months prior to bids being sought.
- Permanent staff based in the Prescribed Area.
- That bidding and management/delivery of the majority of the Contract outcomes will be carried out from their business in the Prescribed Area.

**Prescribed Area:** Great Southern Region.

**Regional Price Preference: Incentive for businesses/contractors located within the Great Southern Region (Prescribed Area)**

### COMPLIANCE REQUIREMENTS

Legislation	<ul style="list-style-type: none"> <li>• Local Government (Functions and General) Regulations 1996 – Part 4A Regional Price Preference</li> </ul>
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### DOCUMENT CONTROL

#### FINANCE

Policy Number	4.9
Responsible Officer	Senior Finance Officer
Initial Council Adoption	21 December 2016
Review Dates	<ul style="list-style-type: none"> <li>• 27 April 2020</li> <li>• 31 August 2023</li> </ul>
Next Review Due	31 August 2024 This policy will be reviewed annually or more often where circumstances require.