



| | | |
|-------------------------|---|-----------------------|
| POLICY NO | CP/FIN-3217 | |
| POLICY | Regional Price Preference | |
| RESPONSIBLE DIRECTORATE | Corporate Services | |
| RESPONSIBLE OFFICER | Director Corporate Services | |
| COUNCIL ADOPTION | Date: 30/08/2016 | Resolution No: 11466 |
| REVIEWED/MODIFIED | Date: 26/09/2017 | Resolution No: 117803 |
| | Date: | Resolution No: |
| REVIEW DUE | Date: July 2020 | |
| LEGISLATION | 1. Local Government Act 1995 – Sections 3.57, 5.41 2. Local Government (Functions and General) Regulations 1996 – Part 4A – Regional Price Preference 3. State Records Act 2000 | |
| RELATED POLICIES | 1. CP/FIN-3204 Purchasing 2. CP/FIN-3218 Pre-Qualified Supplier Panels | |
| RELATED PROCEDURES | 1. AP/FIN-4202 Organisational Directive – Purchasing Process 2. AP/FIN-4203 Organisational Directive – Medium/High Risk Purchasing Process 3. AP/FIN-4203 Organisational Directive – Public Tender/EOI Purchasing Process 4. OD/PC-4202 Organisational Directive – Pre-Qualified Supplier Panels | |

1. PURPOSE:

The purpose of this policy is to promote and support local businesses and the community by giving preferential consideration to Regional Businesses and Regional Content when considering the provision of goods and services via tender and quotation.

2. DEFINITIONS:

Regional Price Preference is defined as the willingness to pay a higher price for the procurement of goods and/or services that are supplied by a Regional Business / Regional Content.

Prescribed Area is the Shire of Wyndham East Kimberley.

Regional Business is a supplier that submits a quotation or a tender and meets the following condition:

- (a) The business has been operating continuously out of a premise in the Prescribed Area for at least six (6) months prior to the closing date of quotations / tenders.

Regional Business Preference is defined as an incentive for businesses located with the Prescribed Area.

Regional Content Preference is defined as an incentive for businesses located outside of the Prescribed Area to purchase goods and/or services from within the Prescribed Area. This preference applies to the value of the goods and/or services purchased in the Prescribed Area and are referred to as “Regional Content”.

3. POLICY STATEMENTS:

3.1 Regional Business Preference

This preference enables businesses within the 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.

The preference will apply to all quotations of \$10,000 or greater, and all tenders invited by the Shire of Wyndham East Kimberley.

To qualify as a Regional Business, a business must meet the following conditions:

- (a) The business has been operating continuously out of a premise in the Prescribed Area for at least six (6) months prior to the closing date of quotations / tenders.
- (b) The Regional Business is required to provide written evidence as described within the request for quotation/tender submission which demonstrates compliance with 3.1(a).

The price of the bids from the Regional Business will be reduced (for evaluation purposes only), by the amounts set out in section 3.3 of this policy.

3.2 Regional Content Preference

This preference enables businesses not located within the Prescribed Area to claim a price preference for the goods and/or services purchased from within the Prescribed Area. The preference percentages are set out in section 3.3 of this policy

Please note: Travel and accommodation costs associated with sending Staff/Sub Contractors 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".

The preference will apply to all quotations of a collective value of \$10,000 or greater, and all tenders invited by the Shire of Wyndham East Kimberley.

Businesses wishing to claim the Regional Content Preference are required to provide written evidence as described within the request for quotation/tender documentation.

Businesses outside the Prescribed Area, who claim that they will use 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 Percentage and Price Preference

The following Preference rates apply under this Policy:

- (a) 10% (up to a maximum price reduction of \$50,000) for goods and/or services; or
- (b) 5% (up to a maximum price reduction of \$50,000) for construction (building) services; or
- (c) 10% (up to a maximum price reduction of \$50,000) for goods and/or services (including construction (building) services) if tenders/quotations are being sought for the first time for goods or services currently undertaken by Council.

3.4 Value for Money

Whilst price is a competitive consideration in the provision of goods and/or services via quotation/tender, it is only one aspect of the evaluation process. Value for Money principles, as described within *CP/FIN-3204 Purchasing*, will be employed by assessing the price component in conjunction with the quotation/tender selection criteria and requirements.

3.5 Application of Policy

In accordance with Regulation 24G, the Shire reserves the right not to apply the policy to a particular request for tender / quotation, provided this is identified in the request documentation.

4. EXPLANATORY NOTES

4.1 Example of the Application of the Regional Price Preference Policy

Example

Consider a scenario where the following three 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 Business (as defined by the Council in its policy).
- Tender 2 is from a metropolitan based business and uses goods and services sourced from the metropolitan area.
- Tender 3 is from a metropolitan based business that uses \$50,000 worth of goods and services supplied by Regional Content.

| Tenders Received | Price of Tender | Price Reduction at Rate of Preference | Adjusted Price for Evaluation Purposes |
|------------------|-----------------|---------------------------------------|--|
| Tender 1 | \$170,000 | \$17,000 (10% of \$170,000) | \$153,000 (\$170,000 – \$17,000) |
| Tender 2 | \$163,000 | No preference applicable | \$163,000 |
| Tender 3 | \$166,000 | \$5,000 (10% of \$50,000) | \$161,000 (\$166,000 - \$5,000) |

As can be seen from the table, in terms of price, the tender from the Regional Business (Tender 1) is the most advantageous once the preference has been applied.

4.2 Legislation

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

4.3 Applicable Legislation:

Local Government (Functions and General) Regulations 1996
Part 4A

RISK:

Risk: Inability to fund the infrastructure gap.

Control: Develop LTFP to ensure critical assets maintained in Annual Budgets.

Risk: Inability to deliver levels of service expected by the community.

Control: Current budget and service levels.

Risk: Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

Control: Review policies and procedures in accordance with review schedule.