



**City Administrative Centre**  
Bridge Road (PO Box 42), Nowra NSW Australia 2541 - DX 5323 Nowra  
Phone: (02) 4429 3111 - Fax: (02) 4422 1816

**Southern District Office**  
Deering Street, Ulladulla - Phone: (02) 4429 8999 – Fax: (02) 4429 8939

Email: [council@shoalhaven.nsw.gov.au](mailto:council@shoalhaven.nsw.gov.au)

Website: [www.shoalhaven.nsw.gov.au](http://www.shoalhaven.nsw.gov.au)

**For more information contact the City Services & Operations Group**

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## Local Preference Policy

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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, and non-local suppliers using local content, to support the City's economic development.

### 2. STATEMENT

- 2.1. The Council's Local Preference policy recognises that 'overall value-for-money' is about broader economic benefits to the City and not just the lowest price. The Council acknowledges 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.
- 2.2. The Council's Local Preference policy aims to use Council's procurement actions to encourage and support local suppliers and support economic activity within the City, where it is efficient to do so, while achieving the Council's overall 'value-for-money' objectives. This approach seeks to maximise overall community benefit for the City.

### 3. PROVISIONS

#### 3.1. Definitions

In this Policy (unless the context indicates otherwise):

- (a) **local content** means goods or services procured from a local supplier or employees living permanently in the Shoalhaven City Council Local Government area.
- (b) **local supplier** means a business, contractor or industry:
  - either permanently based in, or employing permanent staff operating from, permanent premises situated within the City boundaries for not less than six months prior to the date of the Procurement Request; and
  - registered or licensed in New South Wales.

- (c) **net cost** means, in relation to a quotation, tender or expression of interest, the total amount quoted or offered by a supplier for the supply of goods or services, including any freight or delivery charges and excluding GST and any discounts or rebates offered by the supplier.
- (d) **Procurement Request** means *Tender under the Local Government Act 1993*.

### 3.2. Policy Implementation

To assist local industry and local economic development, the Council will:

- (a) encourage a 'buy local' culture within the Council;
- (b) encourage local suppliers to participate in Council business by advertising in local newspapers and other means considered appropriate;
- (c) ensure that procurement policies and procedures do not disadvantage local suppliers;
- (d) ensure transparency in Council procurement practices;
- (e) encourage use of local suppliers by contractors, whenever goods or services have to be sourced from outside the City;
- (f) consider the non-price value-for-money considerations set out in this Policy; and
- (g) apply a price preference discount in favour of local suppliers, as set out in this Policy.

### 3.3. Non-price value-for-money considerations

Council acknowledges that in assessing 'overall value-for-money', the following non-price considerations should be taken into account (where relevant) in relation to a Procurement Request:

- (a) availability and access to after-sales service and maintenance;
- (b) quality, type and availability of goods or services;
- (c) advantages in dealing with a local supplier, including administrative and operational efficiency;
- (d) the proportion of local content to be supplied;
- (e) whole-of-life costs of the purchase or contract;
- (f) compliance with specifications, guidelines and requirements;
- (g) the supplier's knowledge, experience and ability to fulfil the requirements of the contract or purchase;
- (h) the supplier's commitment to supporting local businesses and the local economy through sub-contracting and other supplier arrangements;
- (i) net benefits to the City, including economic benefits; and
- (j) all other factors relevant to consideration of the particular Procurement Request.

3.4. Notwithstanding the Council's local preference policy, an assessment of responses to a Procurement Request must consider all of the above factors, in conjunction with price and locality considerations.

### 3.5. Price preference discounts

- 3.5.1. For the purposes of comparing the price tendered by local and non-local suppliers, the price preference discounts set out below will be applied and given to:
- (a) local suppliers submitting responses to Procurement Requests which are assessed in relation to this policy; and
  - (b) non-local suppliers submitting responses to Procurement Requests, which include use of local content and which are assessed in relation to this policy.
- 3.5.2. Local supplier discount  
For local suppliers who respond to Council's Procurement Requests, Council will assess their response as if their total net cost bid was reduced by 5%. Discounts will be limited to a maximum of \$15,000.
- 3.5.3. Local content discount  
For non-local suppliers who respond to Council's Procurement Requests if at least 25% of the net cost of their response or tender includes or is attributable to local content, Council will assess such response as if the total net cost attributable to local content were reduced by 5%. Discounts will be limited to a maximum of \$15,000.
- 3.5.4. Obtaining discounts  
To be eligible for either discount, suppliers must specifically detail and explain in their response to Council's Procurement Request the particular facts upon which they rely to establish their eligibility for the discount and must provide any evidence of such eligibility as reasonably required by the Council.
- 3.5.5. Procedural matters<sup>1</sup>  
All Procurement Requests issued by Council must clearly state whether and how a price preference for local suppliers will be applied so that respondents to such Procurement Requests are aware of local preference policy prior to responding to the Procurement Request.
- 3.5.6. If the local preference policy is applied in a procurement process, the community should be notified and advised of the cost to the community of applying the policy by posting details of the successful supplier, the monetary cost of applying the policy, and a brief statement of the rationale behind the policy on the Council's website within a reasonable time of award of the tender.
- 3.5.7. All Procurement Requests resulting in local preferences being applied must be capable of identification and verification through the Council's audit or internal control mechanism.

### 3.6. Overall local preference

- 3.6.1. In the event that:
- (a) the net costs bid by a local supplier and a non-local supplier are equal (after calculating any applicable discounts in accordance with this policy);
  - (b) both suppliers otherwise meet the criteria and requirements of the Procurement Request; and
  - (c) each supplier (and its goods and/or services) is otherwise regarded as being 'equal', taking into account the non-price value-for-money considerations set out above,

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<sup>1</sup> Checklist of Risks and Guidelines – ICAC and Local Government Contracts – 11 September 2001

preference will be given to local supplier.

- 3.6.2. To avoid doubt, normal processes of assessment of non-price considerations still apply, and this policy does not require that the lowest cost tender is necessarily successful. The purpose of this policy is to give preference to local suppliers (compared to non-local suppliers) where all else is equal.

**4. IMPLEMENTATION**

Examples of how the Policy may be implemented are shown below.

4.1. Example 1

- 4.1.1. A tender for the supply of goods and services attracts the following bids:
- (a) Bid A of \$9,750 (net cost) is received from a non-local supplier, which is using non-local supplies and services. No price preference discount applies.
  - (b) Bid B of \$10,000 (net cost) is received from a local supplier within the City. A 5% price preference discount applies to the net cost, which is discounted to \$9,500 for comparison purposes.
- 4.1.2. The local price preference discount is applied as follows:

TENDERS RECEIVED	PREFERENCE	TOTAL BID FOR EVALUATION ONLY
Bid A - (Non-Local Supplier) \$9,750	No preference is applicable	<b>\$9,750</b>
Bid B - (Local Supplier) \$10,000	5% price discount is applied Less 5% of \$10,000 = \$500	<b>\$9,500</b>

- 4.1.3. Bid B is successful, subject to all other considerations being met. Price paid is \$10,000.

4.2. Example 2

- 4.2.1. A tender for a contract attracts the following bids:
- (a) Bid A of \$490,000 (net cost) is received from a non-local supplier, which includes local content of \$150,000. Since local content comprises more than 25% of the net cost, a 5% price preference discount applies to the local content component of the bid. The discounted total net cost of the bid is therefore \$482,500 for comparison purposes.
  - (b) Bid B of \$497,500 is received from a local supplier. A 5% price preference discount applies to the total net cost of the bid. The discount is limited to the maximum discount of \$15,000. The total discounted net cost of the bid becomes \$482,500 for comparison purposes.
- 4.2.2. The price discount preferences are applied as follows:

TENDERS RECEIVED	PREFERENCE	TOTAL BID FOR
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		<b>EVALUATION ONLY</b>
Bid A - (Non-Local Supplier) \$490,000	Less 5% of \$150,000 = \$7,500	<b>\$482,500</b>
Bid B - (Local Supplier) \$497,500	5% of \$497,500 = \$24,875 LIMITED TO \$15,000	<b>\$482,500</b>

4.2.3. Because Bid B comes from a local supplier, and on the basis that all other considerations were equal, Bid B is successful even though the discounted prices were equal. Price paid is the original \$497,500, thus costing the Council a notional \$7,500 (i.e. Council could have purchased from non-local supplier for \$490,000)

## 5. REVIEW

This Policy shall be reviewed through the Finance & Corporate Services Group on an annual basis.

## 6. APPLICATION OF ESD PRINCIPLES

This Policy supports Council's commitment to ESD principles through allowing the best value for money outcome to Council and community while maximising opportunities for local business to compete for Council business.