

POL 0026: Regional Price Preference

Purpose

To encourage the use of local businesses in goods and services purchased or contracted on behalf of the Shire of Esperance.

Scope

This policy will apply to quotations of \$250,000 value or greater unless Council resolves otherwise.

Definitions

Prescribed Area: means within the boundaries of the Shire of Esperance.

Regional Price Preference: involves assessing a tender as if the proposed tender price were discounted in accordance with this policy.

Regional Tenderer: means a supplier of goods or services who meets criteria 1 of the Applicable Criteria listed within this policy.

Practice

Levels of Price Preferences to be applied

A price preference may be given to a Regional Tenderer by assessing their tender as if the price bids were reduced by -

1. Goods and Services

Up to 10% where the contract is for goods or services, up to a maximum price reduction of \$50,000;

2. Construction

Up to 5% where the contract is for construction (building) services, up to a maximum price reduction of \$50,000; or

3. Outsourcing

Up to 10% where the contract is for goods or services (including construction (building) services), up to a maximum price reduction of \$500,000, if the Shire 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 the Shire.

Applicable Criteria

In order to be eligible for consideration under this policy, a supplier must meet the following criteria -

1. The supplier must have been operating a business continuously out of premises located within the Prescribed Area for at least 6 months before the time after which further offers cannot be submitted; or

2. Some or all of the goods or services are to be supplied from regional sources

Although goods or services that form part of a tender submitted by a supplier may be wholly or partly supplied from regional sources, only those goods or services identified as being obtained from regional sources may be included in the discounted calculations that form a part of the assessments of a tender when this policy is in operation.

Conditions

Suppliers who claim the regional price preference should indicate their intention to claim in their tender and identify on which criteria they wish to claim.

Price is only one factor the Shire considers when evaluating a tender. There is nothing contained within this policy that compels acceptance of the lowest price.

The tender that is determined to offer the best value for money to the Shire will be the most likely to be accepted.

If, in the opinion of the Shire, a supplier has deliberately provided false or misleading information in order to benefit from this policy, their tender may be disqualified.

Roles and Responsibilities

Shire Employees will use a competitive market for their local requirements and encourage the development of suppliers and local industry. Local suppliers with the capacity to compete should be provided with the opportunity to bid for work with the Shire.

Employees are to ensure the application of a Regional Price Preference is clearly identified within tender documents to which the preference is to be applied and that this policy be available to businesses as part of the tender process.

Examples of Application

1. The following three tenders, to supply goods or services, are received by a local government that has chosen a 10% rate of price preference.
 - a. Tender 1 is from a regional tenderer (as defined by the Council in its policy).
 - b. Tender 2 is from a metropolitan based firm and uses goods and services sourced from the metropolitan area.
 - c. Tender 3 is from a metropolitan based firm but uses \$60,000 worth of goods and services sourced from the region defined in the local government's regional price preference policy.

| Tender Received | Tendered Price | Price Reduction | Adjusted price for evaluation |
|-----------------|----------------|-----------------------------|-------------------------------------|
| Tender 1 | \$260,000 | \$26,000 (10% of \$260,000) | \$234,000 (\$260,000 less \$26,000) |
| Tender 2 | \$255,000 | No preference available | \$255,000 |

| | | | |
|----------|-----------|---------------------------|------------------------------------|
| Tender 3 | \$258,000 | \$6,000 (10% of \$60,000) | \$252,000 (\$258,000 less \$6,000) |
|----------|-----------|---------------------------|------------------------------------|

As shown in the table above, Tender 1 (Regional Tenderer) is the most cost effective once the price preference has been applied.

2. This example determines how the maximum price reduction is applied in accordance with this policy.

The following two tenders, to supply construction (building) services, are received by a local government that has chosen a 5% rate of price preference.

- a. Tender 1 is from a regional tenderer
- b. Tender 2 is from a metropolitan based firm that sources materials from the metropolitan area

| Tender Received | Tendered Price | Price Reduction | Adjusted price for evaluation |
|-----------------|----------------|--|--|
| Tender 1 | \$1,500,000 | 5% of \$1,500,000 = \$75,000. Maximum price reduction limited to \$50,000. | \$1,450,000 (\$1,500,000 less \$50,000) |
| Tender 2 | \$1,445,000 | No preference available | \$1,445,000 |

As shown in the table above, Tender 2 is the most cost effective once the price preference has been applied.

Note: price is only one criteria used to determine a successful tenderer, however the adjusted price, following the application of any preference, shall be used when evaluating tender criteria.

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Document Information

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| Responsible Position | Director Corporate and Community Services |
| Risk Rating | Medium |

Referencing Documents

- *Local Government Act 1995*

Revision History

| Date | Version | CM Reference | Reason for Change | Resolution # | Next Review |
|----------|---------|--------------|---|--------------|-------------|
| Jun 2020 | 1 | D20/6972 | New policy | O0620-188 | Jun 2022 |
| Feb 2022 | 2 | D20/6972[v2] | Amend responsible officer | O0222-033 | Feb 2024 |
| Dec 2023 | 3 | D20/6972[v3] | Biennial review, no change. | O1223-203 | Dec 2025 |
| Jan 2026 | 4 | D20/6972[v4] | Update quote limit within scope section from \$75,000 to \$250,000 in line with tender threshold value. Updated examples accordingly. | O0126-016 | Jan 2028 |