

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement

10.6 Policy (Review) - Local Procurement

Delivery Program Administration

Objective To respond to a matter raised through the Internal Audit Program in respect to Council having a local supplier policy.

Background

One of the recommendations from an internal audit undertaken by Grant Thornton Pty. Ltd. (Council's appointed internal audit firm), of Council's "Tendering and Contract Management Arrangements", is for Council to consider the establishment of a local supplier policy.

This issue arose as Council's *Tendering and Quotations – Evaluation Criteria Policy*, states in part:

Council's preference is to purchase goods and services firstly from suppliers within the shire, secondly from within the northern rivers region and finally from outside the region.

However, due to legislation such as the Trade Practices Act, the purpose of which is to enhance the welfare of Australians through the promotion of competition and fair trading and provides for consumer protection, it is important that council only supports local suppliers where there are justifiable reasons that can support such a selection.

To support the use of local suppliers the Evaluation Criteria Policy includes under the criterion of "social and community" the following item:

- Social impact on local economy

This item allows tender evaluation panels to provide a weighting to submissions based on their knowledge / impact on the local economy, which in turn can assist locally based companies receive a higher weighting in the overall evaluation. The internal auditors would prefer to see Council have a more formal local supplier policy in place and with a number of other councils having considered or adopted such policies in recent times the purpose of this report is to consider such a policy for Council.

Key Issues

- Benefit
- Definitions
- Legislative framework

Information

Local councils have always tried to support local businesses, particularly in regional and rural areas, as typically the council is the major employer in the area and there are direct benefits to the local economy from purchasing goods and services locally.

10.6 Policy (Review) - Local Procurement

Balancing this is the need for councils to be accountable in their expenditure of public monies and in ensuring that the community receives best value for any services delivered.

Various legislation, such as the National Competition Policy (Federal) and the Trade Practices Act (State); have been enacted to assist in ensuring the most efficient provision of publicly provided goods and services by minimising restrictions on competition. This type of legislation is based on the principle that a public entity must be able to demonstrate there is a public benefit before introducing any policies that place restrictions or limitations on competition.

The concept of providing local suppliers with a benefit, as compared to non local suppliers, is in itself a restriction on competition therefore councils need to be careful in considering the introduction of local supplier policies.

Despite these concerns there are options available to provide local suppliers with a higher weighting in procurement assessments, based on the understanding that even though, at times, this may result in a higher purchase price for goods or services, the positive economic impact on the local economy offsets any higher cost.

The Division of Local Government recognises that councils should pursue "Value for Money" and that this "does not automatically mean lowest price." Their publication, titled Tendering Guidelines - NSW Division of Local Government, 2009" has a section in regard to local preference (section 1.6), which states as follows:

"Councils often have a significant role in local and regional economic development. This may include consideration of local supply issues and Aboriginal and young people's employment participation policies.

The implementation of local preference policies is not necessarily inconsistent with the principles of National Competition Policy. However, the use of local preference in the evaluation of tenders and awarding of contracts possesses inherent risks in terms of anti-competitiveness and the maintenance of defensibility, accountability and probity.

Where a council wants to consider local preference as a factor in the supply of goods and services or the disposal of property, it should develop and adopt a local preference policy. This policy should be based on sound reasoning and outline the circumstances in which the council would bring this policy into effect. For example, where an additional cost would be incurred by the council in implementing its local preference policy, the maximum amount or percentage of that additional cost should be specified and the particular circumstances in which the amount should also be acceptable to the local community.

The policy, as well as a statement indicating the basis for its use, should be provided to any potential tenderers prior to their decision to submit a tender. Such a policy should be included in the tender documents and identified in the evaluation criteria.

10.6 Policy (Review) - Local Procurement

When reporting the result of a tender evaluation process, the application of the policy should be clearly referred to and details provided regarding any additional costs to be incurred by the council if it accepts a tender, other than the lowest tender, as a result of the implementation of the policy.

Councils should also consider seeking legal opinion regarding their proposed local preference policy to ensure the policy does not breach either the Trade Practices Act 1974 (Cth), the Fair Trading Act 1987 (NSW), or various international trade agreements."

One of the first questions that must be addressed in considering a local preference policy is to define the term local. Examples used by councils include:

- Kiama NSW - *"local content means goods or services procured from a local supplier or employees living permanently in the Kiama Municipal Municipality Council Local Government area."*
 - Cairns Qld - *"In this policy statement, a "local supplier" is a supplier which:
 - a) is beneficially owned by persons who are residents or rate payers of the local government area of Council; or
 - b) has its principal place of business within the Local Government area of Council; or
 - c) otherwise has a place of business within the Local Government area of Council which solely or primarily employs persons who are residents or rate payers of the Local Government area of Council."*
- Tumut NSW - *"local supplier means a business, contractor or industry:
 - (i) either permanently based in, or employing permanent staff operating from, permanent premises situated within the Shire's boundaries."*

Other local preference policies extend the "local supplier" definition to include other councils in their region. Examples include:

- Wyong NSW - *"Local" - means the NSW Central Coast, specifically the Wyong Shire and Gosford City Local Government Areas."*
- Mid Western Regional Council NSW - *"...discounts may also apply to suppliers based outside the Mid-Western Regional Council area where such suppliers: Use goods, materials or services of a significant amount via sub-contracts that are sourced within the Mid-Western Regional Council area. The discount applies to the value of the goods, materials or services sourced and used from the local government area; or can demonstrate the use of locally sourced products and services as opposed to using products and services from outside the Mid-Western Regional Council area"*
- Gold Coast City Qld - Gold Coast have a range of local preference weightings, ranging from 15% for Gold Coast Business, 6% for branch office in Gold Coast with minimum 5 full time equivalent employees (FTE), 4% for adjoining LGA (Logan, Scenic Rim, Redland, Tweed), 2% for Qld business, 1% for interstate business and 0% for overseas business.

10.6 Policy (Review) - Local Procurement

- Mandurah WA - *"The region this policy relates to includes the district of the City of Mandurah (the 'City') and the non-metropolitan Peel Region districts of the Shires of Murray, Boddington, Serpentine/Jarrahdale and Waroona."*

For Ballina Shire we need to determine whether local means the Ballina Shire Local Government Area, or the entire Northern Rivers (i.e. the NOROC footprint), or part thereof.

There is a lot of interconnectivity in this region with many residents travelling across local government areas for their day to day work. There are also business owners who may own businesses in Ballina and live elsewhere, such as Lismore and vice versa. This means there is some logic in applying a broader definition than the Ballina Shire, in that so long as we are retaining business in the region, people can then select where they wish to live and / or locate their business.

Another alternative is to define local as Ballina Shire, with perhaps a higher weighting attached, and then have a sub-category with a lower rating, for regionally based businesses.

The first attachment to this report is a submission from the Ballina Chamber of Commerce and Industry, where they strongly support the focus being on businesses based in Ballina Shire. There are concerns that this type of focus could be too narrow and ultimately we should be encouraging competition within the region to maximise price efficiencies. Town centres such as Byron Bay and Lismore are all within 40kms of Ballina and due to the highly populated nature of the Northern Rivers region, it may be more appropriate to take a regional approach to local. This approach still ensures that work remains in the region and it is then a matter for property owners, Chambers of Commerce and councils to compete to have those businesses, or their employees, residing in their local government areas.

In considering options for this report one analysis completed was a review of the relevant post codes for current payments to suppliers to try and assess where our expenditure is currently sourced. The following table provides an overview of the outcomes of this analysis for the 2012/13 and 2011/12 financial years.

Table One – Dissection of 2012/13 and 2011/12 Payments by Post Code

Locality	2012/13			2011/12		
	Dollar Value (\$'000)	% of Dollar Value	% of Total Transaction	Dollar Value (\$'000)	% of Dollar Value	% of Total Transaction
Ballina Shire	9,770	11	33	11,428	11	29
Balance of NOROC	16,905	18	16	20,402	19	20
Sydney Region	41,109	45	17	36,108	34	10
Regional NSW	2,643	3	8	13,614	13	15
Queensland	13,085	14	16	14,843	14	16
Other	8,009	9	10	9,044	9	10
Total	91,521	100	100	105,440	100	100

This analysis was conducted at a fairly high level and the figures should be treated as a guide only but some points of interest are:

10.6 Policy (Review) - Local Procurement

- The Sydney figures include the head office address for a number of suppliers (i.e. Bridgestone, Caltex etc). This means even though the product may be purchased locally it will be included in the Sydney figures
- The figures include a large number of statutory payments and payments to State Government agencies, with these payments typically being paid to the Sydney head office (i.e. insurance premiums, workers compensation, superannuation, RMS, Rural Fire Service etc). This again distorts upwards the Sydney figures
- The largest number of transactions is incurred within the Ballina Shire (33% 2012/13 and 29% 2011/12) but overall this equates to only 11% of the total value for both years. This indicates that the smaller transactions are generally occurring within the Ballina Shire
- The NOROC footprint represents 29% (2012/13) and 30% (2011/12) of the total expenditure and 49% of the total transactions for both years. These figures support the comment that there is a high level of interaction for the council areas within the NOROC footprint
- Lismore represents 14% for both years of the total expenditure highlighting a high level of interdependence between Lismore and Ballina local government areas.
- The level and value of transactions locally and within the NOROC footprint is very consistent between both years, which indicates there is a fairly standard of pattern of expenditure on a regional basis, particularly for the lower value transactions.

Once Council determines its preferred definition of local the second key issue is to determine how a local preference is applied and the weighting provided.

The simplest mechanism is by providing a fixed percentage price discount for "local" suppliers. Such mechanisms are often accompanied by an upper "cap" on the local discount that can be applied. Examples include:

- Kiama NSW - *"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. 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".*
- Tumut NSW - *"Where the cost of a local supplier's offer is to be compared with one from outside the area, the local supplier's cost will be reduced by 10% for the sake of cost comparison. The maximum discount amount able to be included in the calculation is \$3,000".*
- Leeton NSW - *"Purchases up to \$5,000 with local content will be given a 10% concession - Purchases from \$5,000 - \$15,000 with local content given a 5% concession - Purchases from \$15,000 - \$99,999 with local content given a 3% concession."*

10.6 Policy (Review) - Local Procurement

- Mandurah WA – *"The following levels of preference will be applied under this policy:*
 - a) *Where purchase is up to \$9,999 (excluding GST)*
 - 3% - to businesses located within the City
 - 2% - to businesses located within the other non-metropolitan Peel Region Council districts
 - b) *Where purchase is between \$10,000 and \$49,999 (excluding GST)*
 - 2.5% - to businesses located within the City
 - 1.5% - to businesses located within the other non-metropolitan Peel Region Council districts
 - c) *Where purchase is greater than \$50,000 (excluding GST)*
 - 2% - to businesses located within the City.
 - 1% - to businesses located within the other non-metropolitan Peel Region Council districts.

The maximum price reduction allowed for the levels of preference will be \$50,000."

The other mechanism used to provide a benefit to local suppliers is by allocating a local preference as a selection criterion. Examples include:

- Lismore NSW - *"Local content will be weighted at minimum of ten percent (10%) of the selection criteria. The local content weighting can be higher than 10% if considered appropriate for the goods and services being procured."*
- Wyong NSW – *"The policy will apply to all procurement with a definable cumulative value greater than \$20,000 (ex GST) that is to be sourced from a single supplier. Offers must be sufficiently detailed to enable Council to assess the level of Local Content included. To support assessment of the level of Local Content contained in Offers, Council may provide pro-forma templates to bidders for completion and/or require bidders to provide necessary detail in another form(s). A weighting will be applied to each evaluation criterion. Local Content will have a mandatory weighting of 10% of the total evaluation criteria. Weights applied to price and non-price criteria will have a maximum cumulative weighting of 90%."*

Wyong complicates matters by capping the "maximum adverse financial implication" of the policy by applying a sliding percentage tailing out to a maximum of \$50,000 adverse impact for services, \$20,000 for goods and \$35,000 for works.

- Gold Coast Qld - *"The issue and receipt of quotations to Gold Coast businesses or businesses with a branch office on the Gold Coast in the first instance is mandated for contracts less than \$200,000. Evaluation criteria for tenders specifically include a 15 percent weighting for local business and industry to be apportioned on a sliding scale to local, regional, intrastate, interstate and overseas suppliers.*

Evaluation criteria for tenders include a two percent weighting related to the Gold Coast Business Awards. Invitations to suppliers include a schedule of questions to establish local credentials and safe work practices".

10.6 Policy (Review) - Local Procurement

- Cairns Qld - "A local preference selection criteria with a weighting of no more than 10% (of the selection criteria total) will be utilised in the evaluation process, and where price, performance, quality, suitability and other selection criteria are evaluated equal, then;
 - 1) Council may accept a tender submission or offer from a local supplier in preference to a comparable tender submission or offer from a non-local supplier even if the tender submission or offer from the non-local supplier has been assessed as more favourable in terms of one or more of the assessment criteria applied (including, but not limited to, price), so long as the overall differences are not substantial, and so long as it is clear that the selected local supplier can meet Council's requirements at an acceptably high standard which is generally comparable to that of other offers.
 - 2) Local preference is not simply a 10% price benefit to a local supplier, eg where their price is 10% higher than a competitor's price, but rather a quantitative measurement that can be utilised in recognition of location of supplier and the associated benefits that this provide to Council, such as;
 - creation of local employment opportunities
 - more readily available servicing support
 - more convenient communication for contract management.
 - economic growth within the local area
 - benefit to Council of associated local commercial transactions"

The Ballina Chamber of Commerce and Industry submission proposes Council apply a local content weighting of 15%, with any businesses based in Ballina Shire receiving a score of 15, a business with an established office in Ballina receiving 10 and a business located in a adjoining local government area receiving a 5.

These are all examples of viable options for consideration by Council.

Sustainability Considerations

- **Environment**
Environment, social and economic impacts are all part of any procurement assessment.
- **Social**
As above
- **Economic**
As above

Legal / Resource / Financial Implications

The major financial implication of a local preference policy would be the possibility of a premium being paid for local suppliers. The offset to this would be the benefit to the local economy.

10.6 Policy (Review) - Local Procurement

Consultation

Research has been undertaken on options used by other councils. If a policy is supported the recommendation would be to exhibit the policy for public comment prior to formal adoption.

Options

The options range from taking no further action to the adoption of a comprehensive local preference policy.

In respect to the no further action option, Council can retain the status quo, which generally has worked reasonably well in respect to the engagement of local suppliers. The criteria in Council's existing *Tendering and Quotations – Evaluation Criteria* Policy recognises that social and community outcomes are an important part of any assessment and this allows staff to assess local suppliers at a higher level, as compared to other service providers.

The risk of applying a more detailed local procurement policy is that it starts to further complicate assessments, potentially leads to more subjectivity and could potentially result in Council ending up with an increase in the number of challenges or complaints to our assessment processes.

In respect to the taking action option the first issue is to define local. As outlined in the information section of this report there are a number of definitions available. It is agreed that the first priority should be to Ballina Shire, however at the same time due to the high interconnectivity of the Northern Rivers the term local could possibly be expanded to the NOROC footprint, or a part thereof.

The second issue is to determine how any weighting is to be applied to businesses that meet the agreed definition of local. Council needs to be careful in applying any weighting as too high a figure could totally distort the market price and lead to significant increases in the purchase price for services supplied to Council. A number of methods have been canvassed in this report and the Ballina Chamber of Commerce submission includes a further method.

In order to make any policy workable Council should keep it as simple as possible to avoid disputes and to ensure consistency in its application.

Before selecting a preferred option method it is helpful to have an understanding of the make up of Council's current purchase transactions. The latest information available for the 2012/13 financial year is as follows.

Table Two - 2012/13 Procurement Transactions Analysis

Type of Transaction	Number	% of Total Number	Value (\$'000)	% of Total Value
Purchasing Cards	3,982	24	537	1
< \$1,000	9,753	58	2,636	3
\$1,001 to \$10,000	2,401	14	7,359	8
\$10,001 to \$50,000	443	3	9,727	11
\$50,001 to \$150,000	99	1	8,631	9
>\$150,000	89	1	62,631	68
Total	16,767	100	91,521	100

10.6 Policy (Review) - Local Procurement

A review of these transactions indicates that the majority of the purchases made on purchasing cards relate to items such as consumables, travel, stationery, small parts etc. A large number of these purchases are already being made locally, although certain items, for example accommodation, will be from suppliers that cannot be provided locally.

Purchases < \$1,000 are similar to purchasing cards in that they relate to small consumables that will typically be purchased locally, unless not available.

In respect to purchases for the \$1,000 to \$10,000 range, the transaction listing indicates that this covers a wide range of services from contract payments to suppliers, to the straight purchase of goods. A large number of these suppliers appear to be from locally based businesses.

The \$10,000 to \$50,000 range is somewhat similar to the \$1,000 to \$10,000 range as it represents a wide range of services, with many of the suppliers having only been used once or a relatively few times during the year.

The \$50,000 to \$150,000 range includes approximately 40 suppliers and the majority of suppliers have only been used once during the year for a major purchase. Examples include Vacjet (purchased vacuum excavation equipment) and Shade n Net (Missingham Park shade shelter).

The payments over \$150,000 relate to substantial contracts, which for 2012/13 included the Ballina Surf Club (Bennett Constructions), wastewater treatment plant upgrades (Haslin Constructions) and Wollongbar Sports Fields (Peachey Constructions). The supplier will normally have been through a tender process which was approved by the elected Council.

What this expenditure dissection highlights is that 98% of the procurement transactions are under \$50,000 however this only represents 23% of the total value.

This analysis of the activity is useful in that it can guide us on what options we wish to pursue in respect to local procurement. If we want to focus on all transactions, particularly below \$50,000, then the methodology needs to be relatively simple due to the high volume of transactions during the year.

On the other hand for transactions over \$50,000 (or even \$10,000) more resources could be committed to the local supplier analysis, as it will not be quite as time consuming due to the low level of transactions. Typically contracts for \$50,000 and above are subject to a more formal evaluation process involving an assessment of a number of subjective (i.e. experience, resource levels, track record) criteria along with price. The respondents are then provided with a score out of 100. This is the process followed for tenders reported to the elected Council.

A Possible Option

Due to the large number of transactions below \$50,000 one option could be to apply a straight local concession for the smaller transactions and then a more detailed higher weighting for local as part of the evaluation for higher value transactions.

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement

For example with the majority of transactions being under \$50,000 Council could apply a straight concession of 5% for locally based businesses: i.e.

Purchases up to \$50,000 with local content will be given a 5% concession when comparing prices.

In respect to local, under this option the preference would be to define local content as a business based (i.e. with an office) in Ballina Shire.

The logic behind this approach is:

- As this is a new change the preference is to commence with a lower concession (i.e. 5%) to allow us to monitor the outcomes. If the feedback is that 5% is working satisfactory then we can maintain this figure, or alternatively if the feedback is that the concession is too high or low we can adjust accordingly
- If the 5% is applied up to \$50,000 this provides a maximum benefit of \$2,500 to a local supplier, which is a more than reasonable advantage
- If the figure is 5% is agreed the preference is to only apply it to Ballina Shire, primarily as the 5% figure means that any other concession would be along the lines of 2% or 3% for other businesses in the NOROC region. This level of concession was considered to be low to justify on a cost / benefit basis. The preference is to focus on Ballina Shire initially.

For contracts over \$50,000 it is then proposed that Council allow a 5% contingency (or margin) for evaluations to recognise the benefit of local suppliers. For example if a local supplier scored 80% out of 100 and the non-local supplier scored 84% the 5% contingency would allow staff to accept or recommend to Council the local supplier, if it was considered to represent the overall best value to Council.

The 5% is one option with other options considered being a 10% margin. Generally 10% was considered to be too large a variance in an evaluation of this type, particularly as there is often a social and community impact weighting in the initial evaluation.

An updated tender evaluation policy has been included as an attachment to this report to reflect how these changes would be included in a Council policy. A copy of that policy, now renamed Local Procurement Policy, is attached for review. If Council is supportive of the draft policy it is recommended that it be placed on exhibition for public comment.

It is important to acknowledge that there are many other options that could be considered for this policy. For example the proposal from the Ballina Chamber of Commerce is another option, albeit that it was considered to place too high a weighting on local suppliers.

Another proposal that was close to being recommended was for contracts over \$50,000 to provide a weighting benefit for adjoining local government areas. The postcode analysis highlighted a strong interdependence between Lismore and Ballina local government areas (LGAs).

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement

Therefore instead of having the 5% contingency for Ballina Shire one option was to provide 10% for Ballina Shire and 5% for adjoining LGAs; i.e. Lismore, Byron and Richmond Valley. Ultimately this was not recommended as it required a 10% contingency for Ballina Shire which is a very large margin in a score out of 100. This type of margin could potentially discourage non local suppliers from bidding for Council contracts.

The recommendation that follows is to approve the exhibition of the draft policy for public comment. However rather than adopting the policy without reporting back to Council if there are no submissions, which is standard practice, it is recommended that the policy be resubmitted after exhibition to ensure that Council is comfortable with the proposal. There are a number of issues outlined in this report and it is considered appropriate for the policy to be reconsidered after an exhibition period to ensure the elected Council is fully conversant and supportive of the changes proposed in the document.

RECOMMENDATIONS

1. That Council approves the exhibition of the draft Procurement Policy as attached to this report.
2. That Council receive a further on this policy following the closure of the exhibition period to consider any submissions received and any other matters of interest that may arise during the exhibition period.

Attachment(s)

1. Letter from Ballina Chamber of Commerce & Industry
2. Draft Local Procurement Policy

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC



Tuesday 7 May, 2013

Paul Hickey
General Manager
Ballina Shire Council

Via email: phickey@ballina.nsw.gov.au

Dear Paul,

RE: Ballina Shire Council Procurement Policy

The Board of Directors of Ballina Chamber of Commerce and Industry has resolved to make this submission to Ballina Shire Council concerning Council's tendering and purchasing policies.

As Council is no doubt aware, small local businesses play a very important role in employing local people and purchasing locally provided goods and services. These local businesses and employees also make a significant contribution to the rate base that underpins Council's financial sustainability. Furthermore, the money spent locally by these local businesses and their employees in turn provides wider support to our economy and helps to create more jobs.

However, this "multiplier effect" within our local economy is completely lost when local money is spent outside the Ballina Shire. Ballina Shire Council's Tenders and Quotations Evaluation Criteria document seems to acknowledge this effect stating "Council's preference is to purchase goods and services firstly from suppliers within the shire, secondly from within the northern rivers region and finally from outside the region". However there does not seem to be any mechanism within that policy document to compel Council officers to follow Council's stated preference.

By comparison, other nearby local government bodies (e.g. Lismore City Council and City of Gold Coast) do have very robust buy local policies in place. Consequently, both our local economy and a wide range of small businesses within Ballina Shire (particularly those that operate under strong competition from businesses within the Gold Coast area), are at a significant disadvantage.

As a key representative of local business, BCCI considers this situation to be unsatisfactory and we believe there is now an urgent need for Council to review its policies and play a leadership role in supporting our local economy.

In order to place our local suppliers on a similar footing to that of neighboring LGA the Chamber requests that Council consider local content as an assessment criterion in all of its purchases and tenders. We suggest this could be introduced along the following lines:

1. Apply a "Local Content" criterion with a weighting of 15% within the overall tender/purchase assessment weighting
2. Assign a "Local Content" score of 15/15 to any small businesses based within Ballina Shire

PO Box 444 Ballina NSW 2478
Ph 02 6681 5049 - Fax 02 6686 5810
Mobile: 0438 484 408

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC



3. Assign a score of 10/15 to businesses that are based elsewhere but at the time of tender/quotation have an established office within the Ballina LGA
4. Assign a score 5/15 to businesses that at the time of tender/quotation are based in an adjoining local government area or have an established office within an adjoining local government area
5. Assign a score of 0/15 for all other businesses
6. Purchases not assessed using a weighting process may simply attract a 20% local supplier preference in order to address the multiplier.

While we recognise that in some circumstances this may result in Council paying slightly more for goods or services, there are already occasions where this occurs when Council is applying a range of other non price criteria. Nevertheless, in order to address concerns relating to quality and value for money, it is suggested that Council officers could be encouraged to more aggressively negotiate with local businesses on pricing and product/service specifications.

To further assist local businesses, it is also requested that Council more actively engages in the provision of frank and comprehensive feedback to businesses whose quotations/ tenders are unsuccessful. As a significant purchaser of goods and services within the LGA, Council is in a position to play a key leadership role by supporting local small businesses and helping to make our economy stronger and more resilient. And, by reducing its reliance on businesses that lie outside the LGA, Council will also be helping to:

- Provide extra incentive for new businesses to invest in the Ballina LGA
- Encourage existing local businesses to expand
- Create greater diversity in the range of businesses within the LGA
- Reduce transportation inputs and thereby minimise Council's carbon footprint.

The Chamber requests that Council's procurement policies be reviewed in consultation with the other two chambers and the whole of the business sector within Ballina Shire as a matter of priority.

Kind Regards,

Nadia Elliott-Burgess
Executive Officer

PO Box 444 Ballina NSW 2478
Ph 02 6681 5049 - Fax 02 6686 5810
Mobile 0438 484 405

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

POLICY NAME: PROCUREMENT POLICY
POLICY REF: T01
MEETING ADOPTED: 24 March 2011
Resolution No. 240311/22
POLICY HISTORY:



TABLE OF CONTENTS

OBJECTIVE	1
BACKGROUND	1
DEFINITIONS	1
SCOPE OF POLICY	2
RELATED DOCUMENTATION	2
POLICY	2
TENDER EVALUATION CRITERIA	3
TENDER EVALUATION MATRIX	4
REVIEW	6

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

OBJECTIVE

The objectives of this policy are to:

- Provide direction in respect to the selection of evaluation criteria and weightings for the assessment of quotations and tenders
- Ensure conformity to procurement evaluation processes
- Provide a fair and equitable basis for evaluations to promote competition and to
- Provide support for local suppliers.

BACKGROUND

As a public authority council is required to comply with legislation in respect to its procurement of goods and services (i.e. Local Government Act and Regulations, Trade Practices Act). Often compliance requires council to call for quotations or tenders that result in more than one response being received. The responses must then be evaluated against each other.

There is a range of criteria and weightings that can be applied in an assessment process and it is important that Council staff and consultants receive direction from the elected Council in setting those criteria and weightings.

It is agreed that it is not possible to provide clear direction on all situations that may arise however this policy provides broad parameters to assist in the criteria and weightings selection process.

Council also wishes to support local suppliers and thresholds are outlined in this policy to assist Council staff, consultants and Councillors determine when it is appropriate to provide preference to a local supplier.

DEFINITIONS

Criterion / Criteria	An attribute / characteristic that is comparable across a range of suppliers for a particular good or service. Normally at least three criteria will be applied to assist in comparing suppliers.
Local	A supplier is defined as local when they have a business office located within the Ballina Shire local government area.
Quotation	An estimated price provided by a supplier for the supply of goods or services. Quotations are typically sought for purchases under \$150,000 (inclusive of GST) in value. The seeking of the quotation may be through an advertised process or by contacting suppliers directly.
Tender	An advertised process for the supply of goods or services which must be conducted in accordance with the Local Government Act. This typically relates to a contract which has a value of over \$150,000 (inclusive of GST).
Weightings	The percentage weighting given to each criterion in the assessment process.

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

SCOPE OF POLICY

This policy applies to:

- All council staff involved in the procurement process
- Any contractors or consultants appointed by Council to assist with procurement
- Councillors

RELATED DOCUMENTATION

Related documents, policies and legislation:

- Local Government Act 1993
- Local Government (General) Regulations 2005
- Tendering Guidelines for NSW Local Government 2009
- Trade Practices Act 1974

In addition to this documentation bodies such as the NSW Division of Local Government, NSW Ombudsman, Independent Commission Against Corruption (ICAC) and the Australian Competition and Consumer Commission (ACCC) are all in a position to monitor local authorities to ensure that any procurement process complies with all relevant legislation.

POLICY

Council is committed to providing best value services to the community. Importantly best value does not always mean lowest price as there are many other factors that need to be considered in selecting a provider of goods or services. These factors include variables such as relevant experience, financial resources, local knowledge, impact on the local economy and legislative responsibilities.

Council's preference is to purchase goods and services firstly from suppliers within the Ballina Shire, secondly from adjoining local government areas (LGAs) due to the high level of interdependence between the LGAs, thirdly from the balance of the LGAs in the Northern Rivers region and finally from outside the region.

Due to legislation such as the Trade Practices Act, the purpose of which is to enhance the welfare of Australians through the promotion of competition and fair trading and provides for consumer protection, it is important that council only supports local suppliers where Council is of the opinion that it can support such a selection.

With these comments in mind Council has developed a local supplier preference, along with a selection criteria and weightings matrix to assist Council determine the best value procurement of goods and services.

The responsibility for the selection of the criteria and weightings for a quotation or tender assessment will rest with Council staff and / or consultants overseeing the procurement process, subject to any matters reported to the elected Council for determination. The matrix provided is to be used as a guide only, although where the matrix is not applied in a quotation / tender process, the reasons why should be documented as part of that process.

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

Local Supplier Preference

Council policy is to support local suppliers where we consider that the benefits of that support to our local economy outweigh any additional costs incurred in the procurement of the goods and services. The thresholds we have determined for providing that local support are as follows:

For purchases up to \$50,000 (GST inclusive) – Local suppliers will be provided a 5% concession when comparing prices. This 5% is applied by deducting 5% of the purchase price for the local supplier when comparing this price to a non – local supplier. This calculation is to be based on the figures being GST inclusive.

For purchases over \$50,000 (GST inclusive) – Local suppliers will be given a 5% margin in comparing suppliers using a weighting criteria out of 100. The 5% figure will be deducted from the score provided to the non – local supplier for the purposes of this comparison (eg. If a non – local supplier has an overall score of 85%, once the 5% margin is deducted the net score is 80%).

Council has selected a concession / margin of 5% as it is considered to provide a reasonable, yet balanced, advantage to local suppliers to reflect the benefits that procuring goods and services from local suppliers can bring to the Ballina Shire economy.

The 5% also reflects that local suppliers already have an advantage in the Tender Evaluation Criteria and Tender Evaluation Matrix that follow, as the criterion of social and community includes an assessment of factors such as knowledge of and social impact on the local economy.

The 5% benchmarks are provided as a guide only and any decision is to be based on a determination as to what is the best value outcome for the Ballina Shire.

Tender Evaluation Criteria

The following table identifies criteria that are considered to be relevant factors in determining the public benefit to be derived through a procurement process. The criteria listed are not considered to be exhaustive, although it would be unusual for criteria outside those listed to be used in an evaluation.

Criteria Description	Full Criteria
Tender Price	<ul style="list-style-type: none">• Comparison of tenders received• Comparison of benchmarks• Analysis of individual tendered items
Sustainability	<ul style="list-style-type: none">• Contractor's Environmental Policy/Environmental Management Plan• Contractor's sustainability record• Waste minimisation record• Level of pollution created and / or habitat destruction• Level of recycled content• Ability to recycle products
Capability	<ul style="list-style-type: none">• Demonstrated capability to perform the works as specified.• Ability to perform contract within overall workload.• Current work load• Technical skills

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

Criteria Description	Full Criteria
Relevant Experience	<ul style="list-style-type: none"> • Appropriate resources (including condition of plant) • Assessed capacity to complete the project satisfactorily and on time • Compliance with tender specification • General performance history • Experience with contracts of a similar nature / similar projects • Profile and experience of staff in relevant field of expertise
Management & Financial	<ul style="list-style-type: none"> • The financial capacity of the tenderer measured against the contract requirements • Level of Council supervision required • Management skills • Whole of life cost • Financial Stability - Period of time operating in current business • Ability to manage projects within budget and maintain accurate accounting records
Compliance with Quality & Safety Plan	<ul style="list-style-type: none"> • Level and detail of quality plan • Minimum standards of safety plan. • Reporting procedures
Methodology	<ul style="list-style-type: none"> • Proposed process and approach • Research and data base development system proposed • Transition plans for continuity of services
Social & Community	<ul style="list-style-type: none"> • Knowledge of local conditions • Social impact on local economy • Level of Australian content • Consultation and community communication process strategies • Demonstrated ability to meet and work co-operatively with committees and community groups
Innovative Work Practices	<ul style="list-style-type: none"> • Proposed new methodologies. • Proposed cost savings. • Environmental impact

Tender Evaluation Matrix

Council policy is to provide a higher weighting on tangible factors, such as price, for the delivery of goods that are relatively homogenous, which will then typically be operated by Council staff (i.e. plant and machinery). The reason for this is that this type of purchase is considered to be relatively low risk due to the product's homogenous nature. However, where there are far greater variables in the products or services to be delivered, it is important that any evaluation place a higher weight on those other variables in an attempt to reduce the variability and also minimise any risk to council.

The following matrix reflects these policy comments.

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
Standard product or good	Refers to a product or good that is well tested in the market place and is utilised by many other organisations.	Relatively low risk - risk level can increase as price increases	Tender Price Sustainability Capability Relevant Experience	50% to 100% 0% to 20% 0% to 30% 0% to 30%

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
Construction contract valued at under \$150,000	Contract focuses on delivery of the construction works	Low Risk - Essential to ensure works comply with specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan	0% to 75% 5% to 15% 5% to 25% 5% to 25% 5% to 15% 5% to 15%
Construction contract valued at over \$150,000 and less than \$1 million	Typically a contract requiring a limited level of professional input combined with construction works	Medium Risk - Essential to ensure time lines and budget met and works comply with specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community	0% to 50% 5% to 15% 5% to 25% 5% to 25% 5% to 25% 5% to 25% 0% to 10%
Construction contract valued at over \$1 million	Typically a contract requiring a wide range of professional input combined with significant construction works	High Risk - Strict project oversight required to minimise budget and deliver contract on time	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	0% to 40% 5% to 15% 5% to 25% 5% to 40% 10% to 40% 5% to 25% 0% to 10% 0% to 20% 0% to 10%
Construction contract valued at over \$1 million, with preliminary ROI process	Typically a larger, more complex contract requiring a wide range of professional input combined with significant construction works	ROI - Potential High Risk for numerous components of contract	Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	5% to 15% 5% to 25% 5% to 40% 10% to 25% 5% to 25% 0% to 10% 0% to 20% 0% to 10%
		Tender - Price needs to be realistic	Tender Price Capability Management & Financial	80% to 100% 0% to 20% 0% to 20%
Management	Refers to a contract where the contractor	Medium to high risk -	Tender Price	0% to 40%

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
contract	manages a facility for Council (i.e. camping ground)	highly dependent on staff appointed to deliver the contract	Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community	5% to 15% 5% to 40% 5% to 25% 5% to 25% 5% to 15% 0% to 10%
Lease / Licence	Where a supplier is submitting a price to access a Council service or resource (i.e. commercial activity)	Medium to high risk - highly dependent on experience and track record of proposed service provider	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology	0% to 50% 5% to 15% 5% to 45% 5% to 25% 5% to 40% 5% to 15% 0% to 10% 0% to 10%
Consultancy contract under \$150,000	Consultancy required a limited range of professional input	Low Risk - Essential to ensure timeline and budgets are met	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality Plan Methodology	0% to 60% 0% to 15% 5% to 25% 5% to 25% 5% to 10% 0% to 10% 0% to 10%
Consultancy contract valued at over \$150,000	Consultancy requiring a high level of technical expertise often from a range of professions - May also include a high level of innovation	Medium to High Risk - Essential to ensure project team satisfy the specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality Plan Social & Community Methodology Innovative Work Practices	0% to 40% 0% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10% 0% to 20% 0% to 20%
Consultancy contract valued at over \$150,000, with preliminary	Consultancy requiring a high level of technical expertise often from a range of professions - May also include a high	Medium to High Risk - Essential to ensure project team satisfy the specification	Sustainability Capability Relevant Experience Management & Financial Quality Plan Social & Community	0% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10%

10.13 Policy (Review) - Local Procurement.DOC

10.6 Policy (Review) - Local Procurement.DOC

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
ROI process	level of innovation		Methodology Innovative Work Practices	0% to 20% 0% to 20%
		Tender - Price needs to be realistic	Tender Price Capability Management & Financial	80% to 100% 0% to 20% 0% to 20%
Service delivery contract under \$150,000	Service contract that is typically for a limited period of time or for spasmodic periods	Low Risk - Essential to ensure service delivered	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan	0% to 60% 5% to 15% 5% to 25% 5% to 25% 5% to 10% 5% to 10%
Service delivery contract valued at over \$150,000	Service contract involving the provision of a service that often covers more than one year	Medium to High Risk - Essential to ensure service delivered on time and on a long term basis	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	0% to 40% 5% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10% 0% to 20% 0% to 20%

State Government Contracts and Local Government Procurement

A number of contracts are available from through tenders completed by the NSW State Government and Local Government Procurement (LGP), with LGP being fully owned by the NSW Local Government and Shires Association.

Council supports the use of State Government Contracts and LGP due to the reduction in administrative costs and the benefits typically achieved through bulk purchasing.

Where purchases are conducted through these organisations Council accepts that criteria different to that outlined in this policy may have been utilised.

REVIEW

This policy is to be reviewed every four years.

10.13 Policy (Review) - Local Procurement.DOC

To provide consistency with Council's triple bottom line decision making framework and provide a policy that is aligned with Council's Community Plan, the Chamber would like to suggest as follows:

1. That all procurement decisions are based on considerations of Council's triple bottom line (economy, community and environment), including all contracts valued at less than \$150,000
2. The "Sustainability" criterion accounts for a minimum of 15% of the weighting and includes "carbon footprint" as an item in the list of considerations (for which local businesses are likely to score higher).
3. The title of the "Social and Community" criterion is expanded to include the Economy
4. The "Social, Community and Economy" criterion for every procurement decision accounts for a minimum of 15% of the weighting and only considers the following factors:
 - Impact on the local economy
 - Level of Australian content
 - Alignment with Council's Community Plan
5. Under the "Social, Community and Economy" criterion:
 - The items "Knowledge of Local Business" and "Demonstrated ability to meet and work co-operatively with committees and community groups" are moved to the "Capability" criterion.
 - The item "consultation and community communication process strategies" is moved to "methodology" criterion.
6. In the two step procurement process involving an EOI and a tender, the same non-price criteria also be included in the tender assessment - otherwise the tender process makes the assumption that all tenders are equally rated on the non-price criteria (which would not be the case in most circumstances). Also to reduce the amount of work both for Council officers and prospective tenders, "Methodology" should only be a consideration at the tender stage and not the ROI stage.

POLICY NAME: LOCAL PROCUREMENT
POLICY REF: T01
MEETING ADOPTED: 24 March 2011
Resolution No. 240311/22
POLICY HISTORY:



TABLE OF CONTENTS

OBJECTIVE..... 1
BACKGROUND..... 1
DEFINITIONS 1
SCOPE OF POLICY 1
RELATED DOCUMENTATION 2
POLICY 2
REVIEW 3

OBJECTIVE

The objective of this policy is to provide support to the local economy through Council's procurement practices.

BACKGROUND

As a public authority Council is required to comply with legislation in respect to its procurement of goods and services (i.e. Local Government Act and Regulations, Trade Practices Act). Often compliance requires Council to call for quotations or tenders that result in more than one response being received. The responses must then be evaluated against each other.

There is a range of criteria and weightings that can be applied in an assessment process and it is important that Council staff and consultants fairly and equitably set that criteria.

Council also wishes to support local suppliers through our procurement practices and this policy outlines how that support will be provided in the procurement assessment process.

DEFINITIONS

Criterion	An attribute / characteristic that is comparable across a range of suppliers for a particular good or service. Normally at least three criteria will be applied to assist in comparing suppliers.
Local	A supplier is defined as local when they have an office located within the Ballina Shire local government area.
Quotation	An estimated price provided by a supplier for the supply of goods or services. Quotations are typically sought for purchases under \$150,000 (inclusive of GST) in value. The seeking of the quotation may be through an advertised process or by direct contact.
Tender	An advertised process for the supply of goods or services which must be conducted in accordance with the Local Government Act. This typically relates to a contract which has a value of over \$150,000 (inclusive of GST).
Weightings	The percentage weighting given to each criterion in the assessment process.

SCOPE OF POLICY

This policy applies to:

- All Council staff involved in the procurement process
- Any contractors or consultants appointed by Council to assist with procurement
- Councillors

RELATED DOCUMENTATION

Related documents, policies and legislation:

- Local Government Act 1993
- Local Government (General) Regulations 2005
- Tendering Guidelines for NSW Local Government 2009
- Trade Practices Act 1974

In addition to this documentation bodies such as the NSW Division of Local Government, NSW Ombudsman, Independent Commission Against Corruption (ICAC) and the Australian Competition and Consumer Commission (ACCC) are all in a position to monitor local authorities to ensure that any procurement process complies with the relevant legislation.

POLICY

Council is committed to providing best value services to the community. Best value does not always mean lowest price as there are many other factors that need to be considered in selecting a provider of goods or services.

These factors include items such as relevant experience, financial resources, local knowledge, impact on the local economy and legislative responsibilities. These factors are all assessment criteria that may be used in the evaluation of quotations and tenders for goods and services to Council.

Council policy is to purchase goods and services firstly from suppliers within the Ballina Shire, secondly from adjoining local government areas (LGAs) due to the high level of interdependence between the LGAs, thirdly from the balance of the LGAs in the Northern Rivers region and finally from outside the region.

Due to legislation such as the Trade Practices Act, the purpose of which is to enhance the welfare of Australians through the promotion of competition and fair trading and provides for consumer protection, it is important that Council only supports local suppliers where Council is of the opinion that it can support such a selection. This support will be demonstrated by the application of selection criteria to the assessment of procurement decision.

The responsibility for the selection of the criteria and associated weightings for a quotation or tender assessment will rest with Council staff overseeing the procurement process, subject to any matters reported to the elected Council for determination.

Local Supplier – Consideration

Council policy is to ensure that the criteria applied always includes recognition of the impact of the procurement decision on the local economy through the application of criteria that evaluates the benefit of that procurement to the local economy.

Council policy is to support local suppliers where we consider the benefits of that support to our local economy outweigh any additional costs incurred in the procurement of the goods and services.

10.13 Policy (Review) - Local Procurement.DOC

To support the local economy Council will include in any formal quotation and tender process an evaluation criterion referred to as "Social and Community" that identifies attributes that reflect the supplier's presence and economic contribution to the Ballina Shire.

The attributes included in this criterion will include, but not be limited to:

- Knowledge and experience with the local conditions – whether the supplier is a locally based business and / or whether they have worked locally
- Social impact on local economy – local jobs created, maintained or lost
- Level of local and Australian content – whether products and materials are sourced locally
- Alignment with Council's Community Strategic Plan (CSP) – whether the manner in which the product and or service is consistent with the directions outlined in Council's CSP.

The weighting provided for Social and Community in any quotation and tender assessment will be a minimum of 15%, with higher weightings allowed, where there is considered to be the potential for a significant impact on the local economy through a Council procurement decision.

State Government Contracts and Local Government Procurement

A number of contracts are available from through tenders completed by the NSW State Government and Local Government Procurement (LGP), with LGP being fully owned by the NSW Local Government and Shires Association.

Council supports the use of State Government Contracts and LGP due to the reduction in administrative costs and the benefits typically achieved through bulk purchasing.

Where purchases are conducted through these organisations Council accepts that the social and community criterion may not be able to be assessed as the evaluation has already been completed by the State Government or LGP.

Environment, Social and Economic Impacts

In addition to consideration of the impact on the local economy any Council procurement decision will also provide consideration to the environmental, social and economic impacts of that decision.

REVIEW

This policy is to be reviewed every four years.