



## BUY LOCAL POLICY

### Summary:

The purpose of this policy is to incorporate a Local Benefits advantage for suppliers of Goods and Services to Tenterfield Shire Council in circumstances as described in the Policy.

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<b>Department</b>	Office of the Chief Corporate Office
<b>Policy Custodian</b>	Manager Finance & Technology
<b>Superseded Documents</b>	23 October 2013 (383/13) 23 August 2017 (168/17)
<b>Related Legislation</b>	Purchasing Policy and Procedures Local Government Act and Regulations
<b>Delegations of Authority</b>	Manager Finance & Technology

### 1. Overview

This Policy incorporates a Local Benefits advantage for suppliers of Goods & Services to the Tenterfield Shire Council.

### 2. Policy Principles

A Buy Local Policy should:

- (i) be based on sound reasoning and include a statement indicating the basis for its use;

(ii) be clear in its application - for example, where an additional cost would be incurred by the council in implementing its 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,

(iii) be disclosed to all potential tenderers prior to their decision to submit a tender;

(iv) be included in the tender documents and identified in the evaluation criteria;

(v) be referred to when reporting the result of the tender evaluation process including the details of any additional cost 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.

This Policy takes into account all of the above considerations.

### **3. Policy Objectives**

To consider Local Preference as a factor in the procurement process.

#### **Policy Statement**

##### **Preamble**

The Tendering Guidelines for NSW Local Government (Guidelines) state that a Council should develop a Buy Local Policy if it wishes to consider Local Preference as a factor in the procurement process.

Council does wish to consider Local Preference as a factor in the procurement process and this policy has been developed to comply with the Guidelines.

The Guidelines state that a Buy Local Policy should:

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- (ii) be clear in its application - for example, where an additional cost would be incurred by the council in implementing its 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,
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- (iv) be included in the tender documents and identified in the evaluation criteria;
- (v) be referred to when reporting the result of the tender evaluation process including the details of any additional cost 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.

This Policy takes into account all of the above considerations.

Council has obtained legal advice to ensure that this Policy does not breach either the Competition and Consumer Act 2010 (Cth), the Fair Trading Act 1987 (NSW) or various international trade agreements.

**THIS POLICY DOES NOT APPLY TO ANY COMMERCIAL BUSINESS ACTIVITIES (FOR EXAMPLE WORK UNDERTAKEN ON BUILDINGS LEASED OUT TO COMMERCIAL TENANTS). A LOCAL PREFERENCE ADVANTAGE FOR THESE ACTIVITIES MAY BE IN BREACH OF THE COMPETITION AND CONSUMER ACT.**

### **What Tenterfield Shire Council's Buy Local Policy Requires**

The Tenterfield Shire Council's Buy Local Policy requires Council to conduct a Local Benefits Test, details of which are contained within this Buy Local Policy, for all significant procurement activities, where a weighting of up to 30% may be applied.

#### **1) Reasoning Behind a Buy Local Policy and Basis for its use**

This Buy Local Policy applies a **Local Benefits Test** to evaluate the benefits that any supplier would bring to the Tenterfield Local Government Area (LGA). The origin of the supplier is not relevant; what is important is the benefit that a supplier can bring locally. For example, a supplier who is located outside of the Shire could still provide a benefit by using a local workforce or by using local businesses in the supply chain.

Other elements such as capability, quality and price remain critical – however factors such as stimulating employment, increasing socioeconomic development (including employment and training) and supporting social objectives may be considered among the decision-making criteria.

Application of the test can be extended to the Tenterfield Shire LGA; or the Local Region; or New South Wales; or outside of New South Wales, based on the following priority of Local Zones:

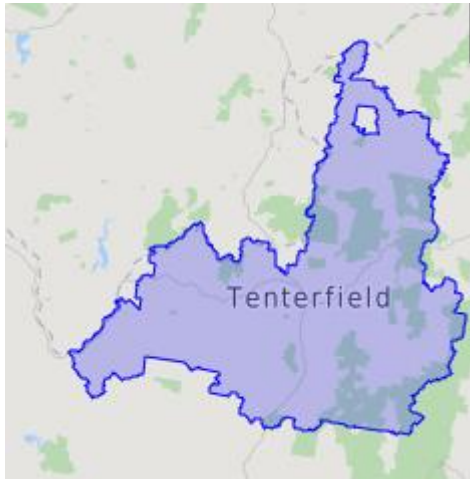
#### **Local Zones**

**Local Zone 1** - Council will prioritise suppliers that maintain a workforce whose usual place of residency is located within the Tenterfield Local Government Area (LGA).

**Local Zone 2** – if a suitable supplier does not exist within Local Zone 1, consideration will be given to suppliers in the local region (ie within 200km of the Tenterfield Township.)

**Local Zone 3** – If a suitable supplier does not exist within Local Zone 2, consideration will be extended to suppliers in New South Wales.

*If a suitable supplier does not exist within New South Wales, consideration will be extended to suppliers outside of New South Wales and parts of Queensland not captured within Local Zone 2).*



Local Zone 1 – All of Tenterfield

Local Zone 2 – 200km from Tenterfield Town

Local Zone 3 – All of New South Wales

## **How a Local Benefits Test can impact the Economy**

Where effective local procurement spending occurs, it can impact the economy through direct and indirect channels:

- **Direct**
  - by supporting local sustainable businesses that are more likely to survive, expand, innovate train and invest
  - by supporting local labour market outcomes (such as training, new opportunities, employment security)
  - by growing Aboriginal businesses and making viable pathways to support employment and increase the economic participation of Aboriginal people
- **Direct and/or Indirect**
  - by supporting local supply chains and the circular flow of money to maximise regional impact (ie supply chain benefits)
  - by supporting local businesses that source goods manufactured locally
- **Indirect**
  - By supporting sustainable activity in the local economy, which can have broader impacts through more sustainable local industries, where sustainability in one local industry may generate flow on effects and support sustainability in other industries
  - By supporting community cohesion (eg local businesses are encouraged to support local initiatives, thereby stabilising the

population base, increasing liveability through employment opportunities and creating local leaders.)

Through such Direct and Indirect economic impacts, the application of a local benefits test to Tenterfield Shire Council's procurement spending can support sustainable economic outcomes in our town and villages.

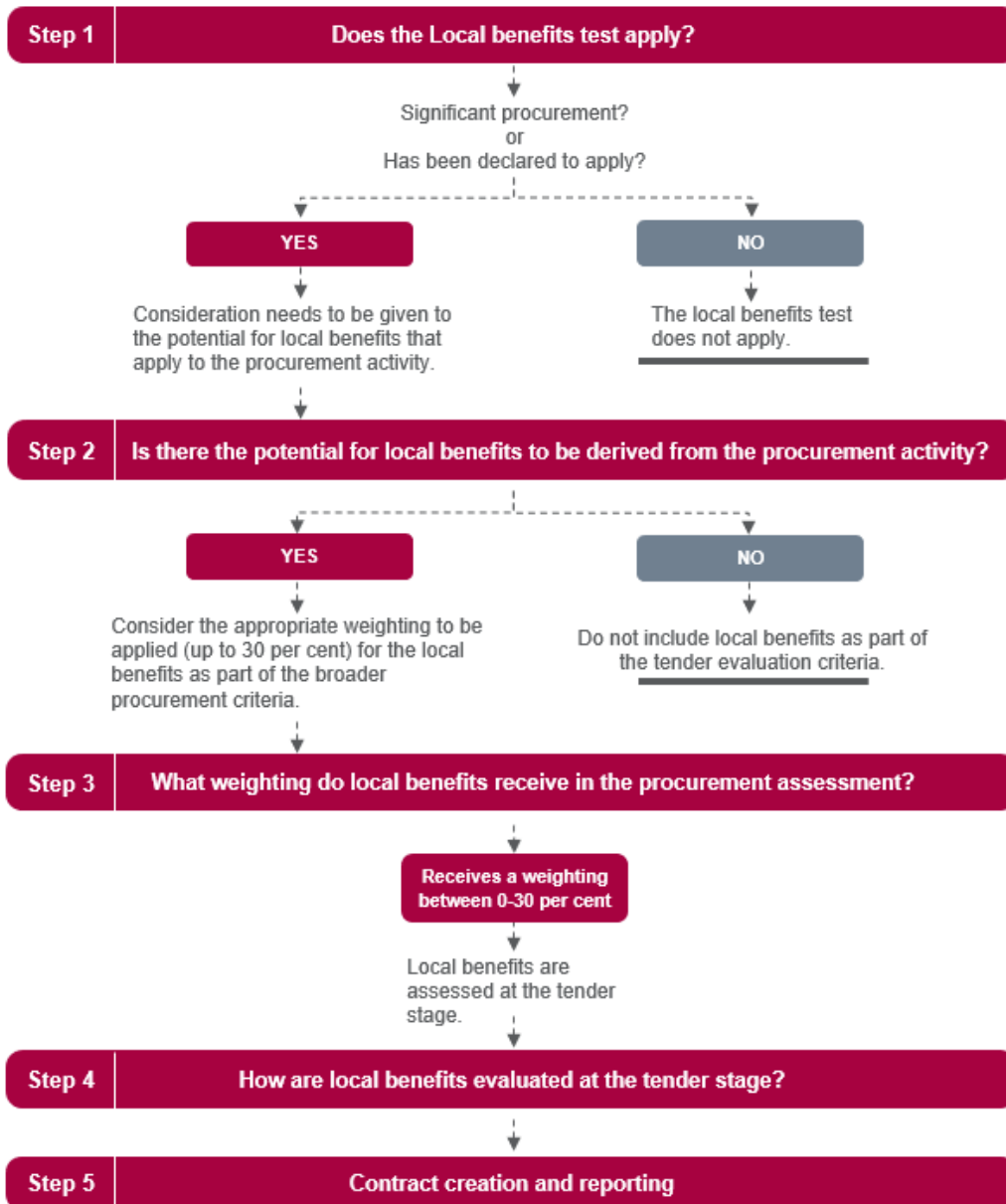
## **1) Local Benefits Test Application**

### **Local Benefits Test Decision Tree**

The diagram below shows the decision tree for Council staff involved in procurement of goods and services in relation to the implementation of the local benefits test.

The decision tree sets out the five steps involved in determining if (and how) the local benefits test applies to the procurement activity.

In applying the decision tree, staff must document the rationale for determining whether and/or how the local benefits test will be applied.



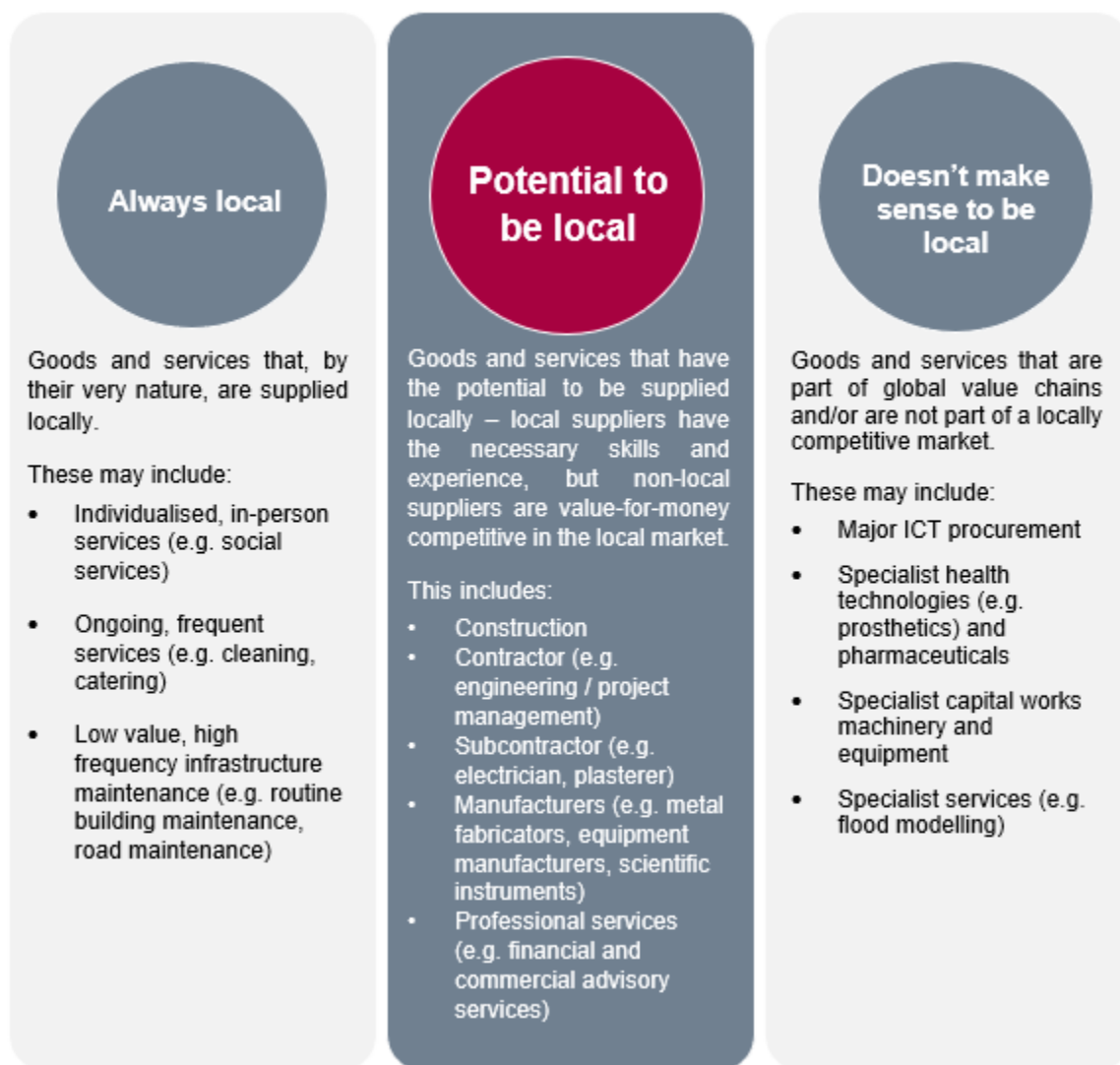
**Step 1 – Procurement subject to the Local Benefits Test**

Procurement of items equal to or above \$50,001 are subject to the Local Benefits Test.

**Step 2 – Is there the potential for local benefits to be derived from the procurement activity?**

For the purpose of the local benefits test, procurement activities can be framed in three broad classifications:

- **always local**
- that has the **potential to be local**
- where it **doesn't make sense to be local**



Procurement activities that have the potential to be supplied locally are subject to the local benefits test.

This is because the application of a local benefits test is unlikely to change outcomes where procurement is always local or doesn't make sense to be local.

In selecting the type of benefits to be pursued, agencies should be mindful that the information requested from suppliers is not unduly onerous and is proportionate to the scale of the procurement being undertaken.

A local benefit should also be one that can be readily identified, evaluated, measured and reported on by the supplier.

**Step 3 – What weighting do local benefits receive in the procurement assessment?**

The Tenterfield Shire Council’s Procurement Policy and Procedures allows a weighting of up to 30 per cent to be applied.

It is not mandatory to apply a 30 per cent weighting, nor is there any minimum mandatory weighting.

Rather, Council staff involved in procurement have the flexibility to apply a weighting as appropriate to the procurement at hand.

Staff will need to determine, as part of the planning process, what weighting is appropriate relative to the other criteria and what will help to ensure a value for money outcome. In determining what weighting applies, Council staff should consider (but are not limited to):

- How do the local benefits criteria compare to other key criteria in the tender evaluation (e.g. supplier experience and capability)?
- How significant are the local benefits to the outcome of the procurement activity and local area?
- How have others in this procurement category approached the weighting (ie there should be consistency across Council).

When considering the local benefits and weightings make sure what is being asked of suppliers can be practically evaluated and will not improperly affect the evaluation outcome.

**Step 4 – How are local benefits evaluated at the Request For Quotation/tender stage?**

As the local benefits criteria forms only part of the overall evaluation process, the purpose of this section is to provide a local benefits criteria overview (rather than instruct staff on how to evaluate). For guidance on evaluation please refer to Council’s Procurement Procedures: Evaluating offers in purchasing.

The table below demonstrates how the local benefits can be incorporated with traditional evaluation criteria.

<b>Evaluation Criteria</b>	<b>Weighting</b>	<b>Comments</b>
Supplier experience and capability	30%	The supplier will be evaluated on their overall experience in delivering similar past projects
Project management	10%	The supplier will be evaluated on their processes related to project management and service delivery
Local Benefits	20%	The supplier will be evaluated on: <ul style="list-style-type: none"> <li>• The number of local jobs supported by the procurement activity</li> <li>• Use of local contractor, manufacturers and supply chain</li> </ul>



		<p>directly relating to the supply of goods and/or services.</p> <ul style="list-style-type: none"> <li>• The number of apprentices and trainees supported by the procurement activity</li> <li>• The number of local Aboriginal jobs supported by the procurement activity</li> </ul>
Price	40%	The supplier will be evaluated on their offered price.

### Sub-criteria

When applying more than one local benefit (as above), sub-criteria can be used to reflect the relative importance of each local benefit in the context of the procurement. Sub criteria must always sum to 100 per cent. For example:

Local benefit	Benefit Weighting	Description
Jobs	60%	The number of local jobs supported by the procurement activity
Supply Chain	20%	Use of local contractors, manufacturers and supply chain directly related to the supply or manufacture of goods and/or services.
Apprentices and Trainees	10%	The number of local apprenticeships and traineeships supported by the procurement activity.
Other Benefits	10%	The number of Aboriginal jobs supported by the procurement activity.

### Information to be supplied in support of the local benefits test criteria

To assist in the identification and evaluation of supplier's local benefits, quotation or tender documentation should clearly identify what local benefits are being sought and specify how suppliers should respond to the criteria.

#### Example questions include:

1. Detail the number of local jobs supported by the procurement activity and proximity from their usual place of residency to the procurement activity. If required, the workforce can be mapped against the local zones.

2. Detail use of local contractors, manufacturers and/or supply chain for the supply or manufacture of goods and/or services and their distance from the procurement activity (this can also be mapped against local zones). If required, the supplier can be asked to detail the proportion of expenditure on inputs to be delivered by local contractors, manufacturers and supply chains.

3. Qualitative evidence (i.e. narrative style) such as how and when they will use the local workforce, local suppliers, local manufacturers, local contractors and local apprentices/trainees.

### **Step 5 – Contract Creation and Reporting**

The supplier's local benefit undertakings should be included as part of the resulting contract. Suppliers should be made aware of contract obligations during the tender process.

Use of specific KPIs is recommended, combined with adding local benefits as a standing agenda item for supplier meetings.

### **Budget Limitation and Recording of Additional Cost to Council**

It is recognised that as a result of the implementation of this Policy there could be an additional cost to Council that is greater than that from the existing Policy which gives a 5% advantage based on price alone.

Whenever this policy is enacted in procurement decisions and such a situation arises, this will be recorded and reported to Council in the Quarterly Budget Review to highlight the additional cost of implementing this Policy.

Should the budget impact become too burdensome on Council some adjustments may be required at the next review of this Policy.

## **4. Scope**

This policy applies to all procurement that meets the threshold and requirements as outlined in the Policy. This Policy does not apply to any commercial business activities (for example, work undertaken on buildings leased out to commercial tenants). A local preference advantage for these activities may be in breach of the Competition and Consumer Act.

## **5. Accountability, Roles & Responsibility**

### **Elected Council**

- Approve the Policy

### **General Manager, Executive and Management Teams**

- Oversee the Policy

### **Management Oversight Group**

N/A

### **Individual Managers**

- Implement the Policy and ensure adherence.

## 6. Definitions

As per the Policy

## 7. Related Documents, Standards & Guidelines

Local Government Act & Regulations

Procurement Policy and Procedures

## 8. Version Control & Change History

Version	Date	Modified by	Details
V1.0	23/11/13	Council	Adoption of Original Policy (Res No. 383/13)
V2.0	23/08/17	Council	Review/Amended Policy (Res No. 168/17)
V3.0	7/04/21	Council	Review/Amended Policy (Res No. 65/21)