

Attachment 1 – Excerpt regarding Local Preference Policies from the ICAC’s *Taking the Con out of Contracting 2001.*

Local preference

Many councils have local preference policies for a variety of reasons. On the other hand, many councils also recognise problems with local preference policies and do not advocate their use.

Local preference policies present a moderate to high corruption risk in our opinion. This is because they can be anti-competitive in application, create circumstances for conflicts of interest to arise and may result in the council being captured into using the same service provider.

Some councils have informal local preference practices that are not captured in their procurement policies and for which there are no established protocols. Having assessed the corruption risks of having a local preference policy, if a council determines it should keep such a policy, the following guidelines are suggested:

1. The decision to have a local preference policy should be taken in open council and communicated to the community.
2. Councils should determine how local preference is to be applied in the procurement/tender process. For example, is local preference to be applied only after all factors have been considered and the proponents are otherwise equal, or is it to be a separately weighted item against which all proponents are scored, either by adding the appropriate weighting from the local supplier or subtracting the weighting from non-local suppliers?
3. The term local should also be defined. For example, is a business which is located outside the council boundary, but whose employees live inside the council boundary entitled to the benefits of the policy?
4. Each proponent in a procurement process in which local preference is to be applied, whether under the tender threshold or not, should be advised that local preference will be applied and how it will be applied.
5. If local preference is applied in a procurement process, the community should be notified accordingly, together with advice about the cost to the community of applying the policy.
6. Tender processes where local preference is to apply should preferably include a non-local independent on the tender panel.
7. Procurement resulting in local preference should be capable of identification and verification through the council’s audit or internal control mechanism.
8. Councils should report annually on their use of local preference procurement, including who the beneficiary of the decision was, the number of instances local preference was applied, and the measures taken by council to measure the cost and effectiveness of such a policy.