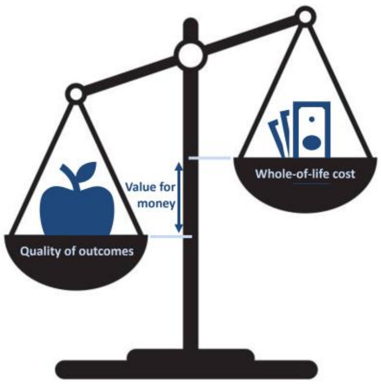
WORKING WITH THE SOUTH AUSTRALIAN GOVERNMENT

The South Australian Government Procurement Framework

WHAT DOES VALUE FOR MONEY MEAN IN GOVERNMENT PROCUREMENT?

Value for money (VFM) is one of the 4 key principles of the SA Government Procurement Framework and is achieved by finding a balance between the whole-of-life cost of procured goods or services, and the quality of the procured goods or services.



WHAT DOES WHOLE-OF-LIFE COST MEAN?

Whole-of-life cost is the combined estimated costs of a procurement from purchase to decommissioning – it includes, but is more than, the value of the contract.

Whole-of-life cost versus contract value

Contract value and whole-of-life cost are not always the same thing.

Contract value only considers direct expenditure - it includes the value committed, expenditure incurred and potential future expenditure. Whole-of-life cost can include other elements such as maintenance costs and disposal costs.

The duration of whole-of-life

- Goods: how long the goods will be operational and fit-for-purpose.
- Services: the full contract term.

WHAT DOES QUALITY MEAN?

Quality means the degree to which a solution fulfils requirements considering the agency's needs and reasonable expectations of the market. It includes, but is not limited to:

- fitness-for-purpose, safety and durability
- legal and regulatory compliance
- form, functionality and market comparability
- presence of skills, absence of faults and defects

The meaning of quality should be clearly established in the specification and evaluation plan for suppliers to respond to.

MAXIMISING THE VALUE-FOR-MONEY OF OFFERS

Suppliers can boost the VFM of their response to a procurement opportunity in a number of ways, including the following.

- **Value-adds** are enhancements, additional features or other inclusions offered by a supplier to create additional value. Value-adds contribute to VFM by reducing costs without any compromise in quality, or through operations that enable better quality at no additional cost.
  - **ESG outcomes** (environment, social, governance) can offer significant opportunities to increase the value-for-money of goods or services offered by supplies.
- **Discounts** are applied at the time of payment resulting in a lower price. A discount may be off an entire price, or off an outstanding amount and contribute to VFM by reducing costs without any compromise in quality.
- **Rebates** are amounts or value credited back to an agency by a supplier upon the agency meeting a condition laid out in a contract (e.g. minimum purchase volume). Rebates can contribute to VFM by reducing costs without any compromise in quality. Rebates should be:
  - a refund, return or credit on an amount paid
  - for the agency that made the initial payment
  - clearly conditional and quantifiable.

PROBITY OF VALUE-ADDS, DISCOUNTS, AND REBATES

Value-adds, discounts, and rebates should be quantifiable and linked to the supplier's offer by being:

- measurable
- achievable
- time-specific
- practical
- relevant to the agency and to the contract

Transparency: Value-adds, discounts, and rebates should be disclosed up-front and publicly.

Inappropriate incentives and benefits: Sponsorships, donations, gifts, inducements, and cross-subsidies should be carefully considered to avoid any real or implied influence.

Contractual security: Value-adds, discounts, and rebates should be defined in contracts.

FURTHER INFORMATION

Learn more about the rules and practices of SA Government procurement and contracting by visiting **www.buying4.sa.gov.au**