

## Procurement Planning Policy

### Purpose

This policy outlines the requirements to plan a procurement process on behalf of the South Australian Government ('government').

### Identify the Need

#### New or Recurring Needs

The need to undertake a procurement process is often determined as a result of a business case in response to an identified client, community or business need. In some cases, multiple separate procurement processes may be required under the one project in order to achieve all the required outcomes.

The need will be described as an outcome rather than a specific good or service (as far as practicable) so that the best solution can be determined through the procurement planning and sourcing process, taking into consideration any government policies or objectives.

Outcomes that are required on an ongoing basis to support business-as-usual (BAU) will typically be identified as a result of reviewing expiring contracts from the public authority's contract register. This review will form part of the public authority's procurement activity planning (see Part 4 of the *Procurement Governance Policy* for further details on procurement activity planning). Other outcomes required on an ongoing basis will likely be identified through client and community engagement.

#### Client and Community Engagement

Regardless of the type of need, public authorities are required to engage with impacted communities, clients and other key stakeholders (internal and external to government, including end-users) to clearly define the need or desired outcomes. The need is expected to be properly scoped, and closely aligned to the across government or public authority's strategic objectives.

#### Use of Established Government Facilities

Before procuring a good or service, public authorities are required to consider whether its need can be met using an established government facility. Established government facilities are defined as State government owned and managed agencies, organisations, entities or statutory authorities that can provide goods or services to other areas of government. For example, the provision of training services from TAFE SA, professional and technical services from Rural Solutions SA, the sale of plants from State Flora, and general printing and publishing services from Government Publishing SA.

Where a public authority is satisfied that the need can be met and value for money achieved by using an established government facility, the public authority is required

## Procurement Planning Policy

to:

- develop and maintain appropriate documentation; and
- seek approval in accordance with the public authority's financial authorisations frameworks.

### Acquisition Planning

#### Identifying applicable existing across-government, multi-agency, panel or other mandated contract

Before developing an acquisition strategy, public authorities will identify whether there is an applicable across-government, multi-agency, panel or other mandated contract that will meet the business need.

Where there is an applicable across-government, multi-agency, panel or other mandated contract, the public authority will:

- only purchase goods, services or capital works from the applicable contract in accordance with the specified secondary procurement process (unless the public authority's participation has been deemed as optional or it has been granted an exemption by the establishing authority); and
- apply the relevant requirements of the [South Australian Industry Participation Policy](#) ('SAIPP').

### Estimating the Value of the Procurement

Once the need/desired outcomes have been defined, the public authority will use the estimated cost of the required goods or services to estimate the value of the proposed procurement.

The estimated value of a procurement is to be determined by reference to the budget required by the public authority to meet the estimated total value of any expenditure commitments that may result from the proposed procurement exercise, and is GST inclusive. This includes the total value of any contract extension and other options that may be included. Further guidance is available in the *Whole-of-Life Costing Guideline*.

Procurements cannot be divided into separate procurements for the purpose of avoiding any value or complexity thresholds.

### Complexity and Capability Assessment (Resource Allocation)

A complexity and capability assessment will be undertaken prior to commencing the procurement process to classify the procurement as either transactional, routine, complex or strategic. This classification will be based on the level of complexity, risk profile and value of the procurement. Further guidance on complexity classifications is available in the *Complexity and Capability Guideline*.

## Procurement Planning Policy

The complexity and capability assessments will be used to determine the resource commitment required to meet the minimum requirements of a procurement process and achieve the desired outcome/s.

Public authorities may re-assess the complexity of the procurement and capability of allocated resources throughout the procurement process and adjust, as required.

### Recording the need in the Procurement Activity and Reporting System

In accordance with *Treasurer's Instruction (TI) 18*, all procurements with an estimated cost above \$55,000 must be recorded in the Procurement Activity and Reporting System (PARS) before a public authority can approach the market with the need. If the procurement was not recorded in the PARS as part of the public authority's forward procurement planning, then the public authority is required to record the details of the procurement in the PARS as soon as practicable once the public authority becomes aware of the need.

If the procurement is valued above \$550,000, this will require approval from the public authority's Chief Executive before being recorded in the PARS.

### Acquisition Plan Development

Public authorities must prepare an acquisition plan for approval in accordance with TI18.

The public authority may tailor the acquisition plan to ensure it is fit-for-purpose for the complexity of the proposed procurement. However, at a minimum, the acquisition plan will document:

- the need/desired outcome (procurement objectives)
- details of client, community and industry engagement
- estimated cost of the proposed contracts(s) over the total contract term (including any extension options)
- estimated whole-of-life cost of the procurement
- estimated whole-of-life cost of the project (i.e. if multiple separate procurements are identified as necessary by the business plan) (if applicable)
- completion of the Office of the Industry Advocate Checklist
- supply market analysis
- details of the complexity assessment
- sourcing strategy (e.g. open, limited or direct market approach)
- evaluation criteria and methodology (if not detailed in a separate *Evaluation Plan* for approval)
- proposed performance measures
- contract term and contract management arrangements
- identification and assessment of risks related to the procurement and contract

## Procurement Planning Policy

- risk management strategies (if not detailed in a separate *Risk Management Plan*)
- any departures from the Procurement Planning Policy.

### Establishment<sup>1</sup> of an across-government, multi-agency, panel or other mandated contract

Where it is determined that an across-government, multi-agency, panel or other mandated contract will achieve the best outcome, the public authority will:

- determine the total anticipated value of the contract before obtaining approval to commence the procurement process
- ensure, where applicable, that establishing an across-government or multi-agency contract is supported across government through a consultative process with affected public authorities, the Procurement Review Committee and/or has been approved by an appropriate authority
- ensure there is verifiable demand for the anticipated goods or services for the life of the contract
- determine the rules for selecting, adding or removing panel members
- determine the secondary procurement process to be followed (ensuring flexibility and minimal administrative burden in any secondary procurement process)
- apply the relevant requirements of the [SAIPP](#)
- determine, where relevant, any reporting and data collection requirements (considering the resource and effort required to produce the reporting)
- determine the contract management arrangements.

A mandated across-government contract must not be established without approval from the Treasurer or Cabinet.

This information will be documented in the acquisition plan.

## Supply Market Analysis

### Market Analysis

Public authorities will analyse the supply market to inform the development of an appropriate acquisition strategy. This includes researching and gathering information about the supply market from which the required goods or service will be procured.

The market analysis will assess market capability, capacity and willingness to achieve the desired outcomes.

<sup>1</sup> Where an established across-government, multi-agency, panel or other mandated contract exists that does not describe the secondary procurement process to be followed, the public authority will ensure relevant procurements are approved through the public authority's normal approval process.

## Procurement Planning Policy

### Supply Chain Analysis

Public authorities will undertake a supply chain analysis to identify the potential supply chain risks for all complex and strategic procurement. Public authorities will assess whether a supply chain analysis is required for a transactional or routine procurement and will undertake the analysis as required. The supply chain analysis will be commensurate with the value and complexity of the procurement.

### Industry Engagement

Industry engagement facilitates transparency and collaboration with the market, whilst identifying innovative opportunities to satisfy the business need/outcomes.

In planning a procurement, public authorities will seek to engage with a diverse range of prospective suppliers, including small to medium enterprises (SMEs). The level of engagement will be appropriate to the value, complexity and risk of procurement activity proposed. For example, formal pre-procurement industry engagement, such as industry briefing sessions, will be undertaken for all complex and strategic procurements, where appropriate.

The purpose of the industry engagement is to be transparent and collaborative with the market, whilst identifying innovative opportunities to satisfy the business need/outcomes.

All senior public authority staff and contractors responsible for leading or managing complex or strategic procurements are required to have undertaken the Department of Treasury and Finance, Procurement Services SA *Industry Engagement Professional Development* workshop within the last 3-year period.

### Specification Development

At a minimum, a specification (whether it be functional, technical, performance and/or outcomes-based) will be developed by relevant staff with adequate technical skills and applicable knowledge to identify the:

- need/desired outcomes,
- proposed contract term,
- performance standards, and
- reporting requirements (if any)

for key stakeholders and eventually the market.

Public authorities will ensure that all specifications avoid the use of proprietary standards and specify the requirements in such a way as to maximise the opportunity for competitive offers from a variety of suppliers.

# Procurement Planning Policy

## Sourcing Strategy

Public authorities will identify the sourcing strategy (or market approach) that will deliver the best procurement outcome, achieve value for money and comply with the [SAIPP](#) and any applicable Free Trade Agreements.

### Minimum number of quotes to be sought

The sourcing strategy must align to the process outlined in the following table.

Estimated Cost	Sourcing Process
≤ \$55,000	A minimum of one written quote must be sought.
>\$55,000 but ≤ \$550,000	A minimum of three written quotes, with at least one quote from a South Australian based supplier (or a supplier based in the region in the case of regional procurement), where possible, must be sought. If a public authority cannot identify three suppliers with one being a South Australian based supplier to seek a quote from, the procurement must be advertised as an open tender on <i>SA Tenders and Contracts</i> for a minimum period of 14 calendar days (unless a limited sourcing arrangement has been approved by the authorised person).
>\$550,000	Open market approach will be used (unless a limited sourcing arrangement has been approved by the Chief Executive).

### Limiting number of suppliers including direct market approach strategies

Public authorities must not approach less than the minimum number of suppliers required to be approached except where:

- the good or service can be supplied only by a particular supplier and no reasonable alternative or substitute good or service exists for either of the following reasons:
  - the requirement is for a work of art; or
  - the existence of an intellectual property monopoly or other exclusive rights
- procurements conducted in line with the South Australian Government’s [Go2Gov program](#)
- purchases made under exceptionally advantageous conditions that only arise in the very short term, such as from unusual disposals, liquidation, bankruptcy or receivership, but not for routine purchases from regular suppliers
- the risk to public health and safety necessitates a limited approach



## Procurement Planning Policy

- the good or service is being procured from an applicable across-government, multi-agency, panel or other mandated contract in accordance with the agreed rules for use of that contract
- the procurement could not have been foreseen and the timeframes to deliver are short
- only a limited number of suppliers with the capability, experience and suitability to meet the public authority's needs and no alternative or substitute exists or for other reasons justified by the Chief Executive of the public authority.

The determination to limit the market must be justified and evidenced by thorough market research and sound knowledge of category/market pricing. A direct or limited market approach must not be chosen for convenience or to avoid competition.

Public authorities can limit the number of suppliers in accordance with the [SAIPP](#), including procuring directly from an eligible Aboriginal business for procurements valued below \$220,000.

If a direct or limited market approach is permissible and selected, public authorities must still maintain the integrity of the procurement process and ensure the limited market approach will achieve value for money.

### Evaluation Planning

During the planning stage, public authorities will develop a strategy to achieve value for money through the sourcing process. This involves identifying an appropriate evaluation methodology and criteria that will be used to assess the value delivered by each supplier's solution, offer or quote.

The evaluation criteria, either mandatory, weighted or non-weighted, provide a standard against which the public authority will evaluate the quantitative (financial) and qualitative (non-financial) elements of suppliers' offers to identify the best fit-for-purpose, value for money solution.

The evaluation process will consider whole-of-life costs, where appropriate, when evaluating the cost of a supplier's offer. The qualitative evaluation criteria are to be determined by the public authority and modified for each procurement to ensure they are fit for purpose to meet the needs of the end-users and the procurement objectives.

For all procurements above \$55,000, the evaluation methodology, mandatory requirements (if any), weighted and non-weighted evaluation criteria will be identified and approved by the public authority's Chief Executive (or authorised person) prior to releasing the tender to the market. For complex and strategic procurements, these details will be included and approved in an evaluation plan.

## Procurement Planning Policy

### Risk Management

Public authorities will undertake a risk assessment for all procurements valued above \$55,000. The risk assessment will identify and document the:

- identified risk(s) associated with the procurement and the relative goods or service
- potential impact/consequences of the risk(s)
- likelihood of the risk(s) occurring
- existing controls
- proposed mitigation and/or treatment of the risk(s)
- residual risk rating(s).

The risk assessment will be used to determine the overall risk level of the procurement as part of the procurement planning process. The risk assessment will be commensurate with the value and complexity of the procurement.

For all complex and strategic procurements a *Risk Management Plan* will be prepared and attached to the acquisition plan.

### Contract Management Planning

#### Performance Measures and Contract Terms

Public authorities will identify appropriate performance measures and contract management arrangements (including contract term and extension options) prior to sourcing. These details will be identified in the market approach documentation to ensure prospective suppliers are aware of the public authority's expectations.

#### Contract Terms for Certain Not-for-Profit Arrangements

Upon consideration of ongoing budget availability and continuing need, public authorities will where appropriate establish contracts of three years plus three years plus three years (3 + 3 + 3) for all transactional and routine procurements with not-for-profit (NFP) service providers, where the contract is required for longer than two years and there are no linked funding arrangements with the Commonwealth Government.

The appropriateness of long-term contracts needs to be assessed on a case-by-case basis and needs to represent value for money, and be balanced against the potential for new suppliers, whilst also considering the potential to encourage innovation in service delivery and new service models.



## Procurement Planning Policy

### Insurance

Public authorities will identify the type(s) of insurance and minimum level(s) of coverage to be affected and maintained by each supplier prior to sourcing.

There are three key types of insurance cover for the supply of goods and services:

- Public Liability
- Product Liability
- Professional Indemnity.

The type(s) of insurance required will depend on what is being procured. However, all suppliers must have a minimum of \$1 million public liability insurance coverage.<sup>2</sup>

The respective public authority is not required to be named on the supplier's insurance policy and the supplier is not required to provide a copy of the insurance certificate (including subsequent renewals).

### Liability Limit

The default liability limit for all low to medium risk procurements that use the *Standard Goods and Services Agreement* or *Standard NFP Sector Funded Services Agreement* will be between one and five times the total value of the contract, as determined by the public authority based on the risk of the procurement (Global Liability Cap).

Public authorities are encouraged to seek advice from the Crown Solicitor's Office for strategic (high risk) procurements or where it is not possible to determine the risk level prior to procurement.

### Approvals required before approaching the market

Acquisition plans (comprising evaluation plans and risk management plans, where applicable) will be approved by the public authority's Chief Executive (or authorised person) prior to approaching the market or releasing a tender.

The acquisition plan approver is responsible for approving the resulting purchase recommendation; however, the acquisition plan approver may authorise another person to approve the purchase recommendation at the time of approving the acquisition plan. The acquisition plan will clearly identify who will approve the purchase recommendation.

Acquisition plans with an estimated cost above \$550,000 that involve a single supplier (direct) market approach must be approved by the public authority's Chief Executive. Chief Executives cannot authorise other persons to exercise this power of function.

<sup>2</sup> Refer to the [SAICORP](#) website for further details on appropriate insurance coverage and duration.