Value-adds in Government Procurement Guideline

Purpose

This Guideline seeks to provide direction to procurement officers regarding value-adds in government procurement activities.

What is a value-add?

A value-add is an enhancement, additional feature or other inclusion to an outcome or output offered by a supplier to obtain a competitive edge by creating additional value.

The use of value-adds is a well-used and important means of achieving value for money in the government procurement spend. A value-add in a procurement generally operates by reducing costs without any compromise in quality or product features, or by assuring operational efficiency to enable better quality at no additional cost.

From a supplier's perspective a value-add is something that is a low cost to include, but of high value to the customer. It is a way a making a product more valuable than a competitor's similar product.

A value-add should be linked to the procurement objectives and deliver a quantifiable value for money outcome for the procurement. In developing and assessing the value-add public authorities should ensure that it is:

- measurable, so that its value can be objectively quantified and compared
- practical, reasonable and credible given available resources
- relevant to the procurement outcome and relevant public authority
- achievable given the expected conditions
- relevant to the success of the contract
- specifies a timeframe (if applicable).

A value-add is different to a discount or rebate which is typically money or value credited back to a public authority by a supplier upon the public authority meeting a set of conditions laid out in a contract.[1]

Use of value-adds in procurement

Value-adds are offered to convince buyers that a supplier's offer represents the best value for money outcome.

The negotiation of value-adds into a procurement will be dependent upon the worth that a public authority attaches to a value-add offered by a supplier. If a public authority requests a value-add the supplier must be able to see that it is to their advantage to negotiate or agree.

[1] Refer to the *Rebates and Discounts Guideline* for further guidance

A value-add that is requested by the public authority to realise efficiencies, improve quality or address government social, economic or environmental policy should be part of the acquisition strategy and market approach documentation. It is a known requirement and should be well communicated in the procurement project and able to be clearly assessed.

An unsolicited value-add offered by a supplier should be assessed on its merits as part of the value for money assessment.

Value-adds that are subject to question may be those:

- where the value-add is unrelated to the procurement or public authority
- which occur over a time period longer than the contract
- that are not part of the procurement planning from the outset and communicated to suppliers late in the process.

Sponsorships, Donations, Gifts, Inducements and Funding

Value-adds are not to be used for “charitable” fundraising or cross subsidies. Sponsorship, donations, gifts, inducements or funding for a public authority, related entity, or event are considered inappropriate incentives.

Sponsorships or donations can be acceptable means of obtaining funding. However, in a procurement activity they create a potential conflict of interest. For this reason, they must be dealt with in a separate process, not related to procurement. They must not be requested as part of a procurement process, nor should they be considered as a value-add if offered.

Developing value-adds in contracts

Value-adds should be described in the contract to ensure that it is secured. The contract should define the value-add and the criteria on which the value-add is based. Public authorities should consider a bespoke “review of value-add” clause in long-term contracts to ensure the value-add remains appropriate to the procurement.