

Developing a Specification Guideline

Purpose

The purpose of this Guideline is to provide practical advice about developing a written specification for procuring goods and services.

What is a specification?

A specification is a statement of requirements which defines what the public authority wants to buy and, consequently, what the supplier is required to provide. The success of the procurement relies on the specification clearly and accurately defining the public authority's procurement objectives/requirements and what is expected from a supplier. Specifications can be simple or complex depending on the procurement objective and outcome sought.

Specification statements are included in acquisition plans and market approach documentation. The specification will also likely form part of any resulting contract and be an essential contract management document to ensure the chosen supplier/s provide what was negotiated during the sourcing stage.

Types of Specifications

There are commonly three different types of specifications: Functional, Performance and Technical.

Functional specification characteristics: also referred to as “outcomes-based”, the functional specification outlines the proposed function or role of the goods and services in helping the end-user achieve a desired outcome. It defines a desired result and may describe the general form of the goods and services required. It focuses on what is to be achieved rather than the method of achieving it. Public authorities are strongly encouraged to use outcomes-based specifications wherever possible.

Performance specification characteristics: details the required performance characteristics of the goods and services. It defines the task or desired result in terms of how effectively it will achieve identified targets focusing on the desired outputs and not how it is to be achieved.

Technical specification characteristics: details the technical and physical aspects of the goods and services, such as dimensions, design specifics, physical properties. Technical specifications are used when functional and performance characteristics are insufficient to define the requirement. Diagrams and dimensions can be used in a specification as technical characteristics or to provide guidance to suppliers. Examples include site drawings, custom-made furniture for fit outs, system drawings and schematics. Requesting a supplier produce an item to a drawing or set of plans presents a risk to the public authority if the item does not work (providing, that the

Developing a Specification Guideline

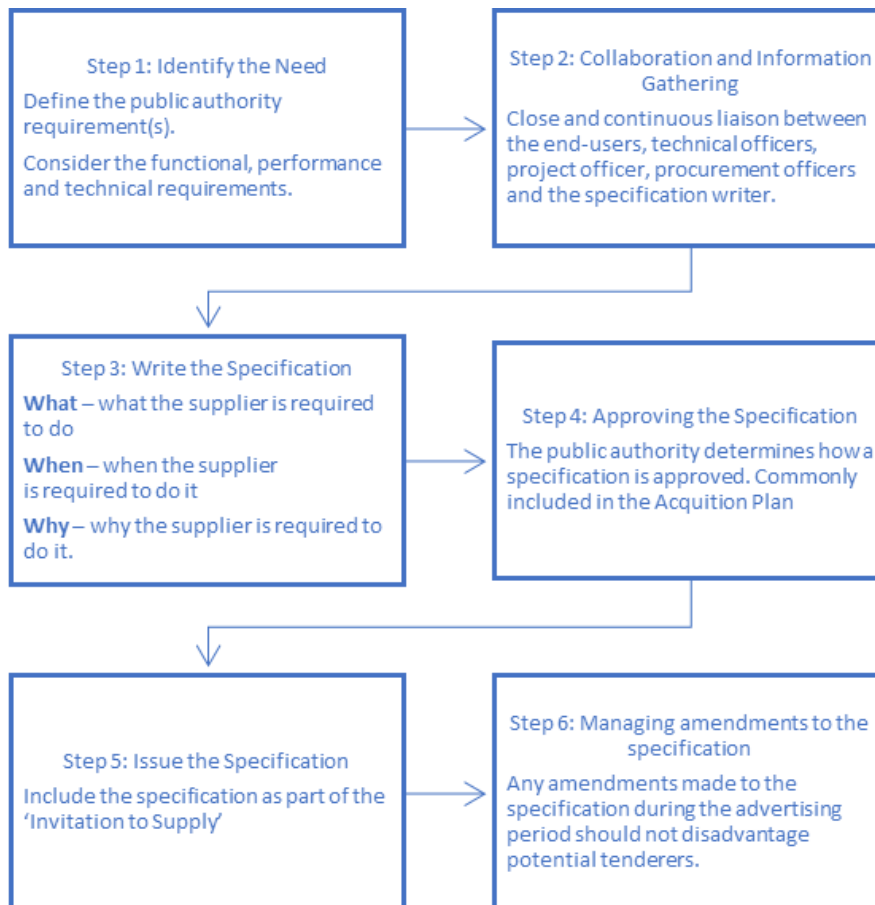
item is built to the drawing or plan). There may be contractual clauses to cover this eventuality, but the use of drawings should be carefully considered by the public authority, with all documents checked for accuracy by more than one party.

Functional and performance (i.e. outcome based) specifications are encouraged over technical specifications as they allow suppliers to offer innovative and technologically advanced solutions that can improve value for money outcomes. Technical specifications that are too prescriptive can limit innovative solutions from suppliers.

Specifications should 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 and especially not to preclude appropriate local suppliers.

The Specification Development Process

The diagram below outlines the steps¹ required to develop a specification. Specification development does not happen in isolation, it is a part of the planning process.



¹ Further information on Steps 1 – 7 are available in the *Supply Market Analysis and Approach Strategy Guideline*.

Developing a Specification Guideline

Step 1: Identify the Need

The foundation of a good specification is in the planning and needs analysis which is undertaken before the writing of the specification begins. Planning, as part of the needs identification process and analysis, provides a better understanding of the procurement requirement(s)/objective(s) and may reveal alternative solutions.

Breaking down the requirement(s) in terms of function and performance helps to better define the need. Defining each element of the requirement(s) should also help to discover conflicts that may arise within the requirement(s).

It is important not to specify more than is required as it will likely impact costs. For example, a service may be required to provide 24-hour coverage, however, out of hours coverage may realistically only be required occasionally. In this instance, the solution may be service provision for 12 hours a day, with additional services required on ad-hoc or on call basis.

Step 2: Collaboration and Information Gathering

Where a Central Procurement Unit (CPU) has been established or the public authority's procurement framework requires it, procurement officers should be involved from the start of the procurement process (that is, the planning stage).

Developing specifications requires collaboration involving close and continuous liaison between people such as:

- procurement officers,
- technical/subject matter experts,
- project officers and managers,
- contract managers/owner,
- end-users, and
- the specification writer.

Valuable information and advice relating to the requirement can be obtained through discussions with other users of similar goods or services within the public authority.

Once the needs are identified, an in-depth market analysis (including industry engagement²) should be undertaken, to understand what is available to meet the client / end-user, community or public authority's needs. If industry is engaged too early in the development process, there is the risk of deciding the problem's solution before the requirement(s) is fully defined. If liaising with specific suppliers, make it is clear that the interaction is for market research and they do not assume pre-offer negotiations.

² ensuring probity and transparency is maintained. Further guidance is provided in the Industry Engagement Guideline

Developing a Specification Guideline

In accordance with the Procurement Planning Policy, industry engagement training is mandatory for personnel leading or managing complex or strategic procurements and is also recommended for other public authority personnel to attend. The Industry Engagement Guideline provides guidance and practical advice for public authorities and procurement practitioners to enable them to properly plan and undertake industry engagement activities with confidence and be well informed in knowing how to manage risks appropriately while maintaining their obligations relating to probity, accountability and transparency

The Office of the Industry Advocate is able to provide advice on how to engage with the market, and what can be considered in the specification to ensure the Industry Participation Policy has maximum impact. Other sources of information can include:

- industry associations or particular companies
- peak bodies, special interest groups and sector representatives
- external customers and beneficiaries of the goods or services, community members
- other departments or public authorities (including federal and local governments)
- educational institutions, for example, universities and other further education institutes
- Standards Australia
- learnings from previous/current procurements for similar goods and services, (including learnings from contract management).

The level of collaboration and information gathering should be commensurate with the complexity, risk profile and value of the procurement.

Step 3: Writing the Specification (information to include in a specification)

A good specification should describe:

Why	What	When	How much	How well
why the supplier is required to do it (the outcome)	what the supplier is required to do	when the supplier is required to do it	what quantity or volume is required	what quality and performance standards apply

Some writing tips:

- use simple, clear language without jargon (to minimise misinterpretation)
- define terms, symbols and acronyms (include a “Glossary of Terms”)
- be concise
- ensure product terminology is generic wherever possible

Developing a Specification Guideline

- refer to any Australian, international or industry standard where applicable
- do not explain the same requirement in more than one section
- define each aspect of the requirement in one or two paragraphs where possible
- adopt a user-friendly format
- number the sections and paragraphs
- seek feedback from someone unfamiliar with the requirement
- discuss the draft and refine it.

A typical Specification may include the sections below. However, the sections and level of detail included should be commensurate with the complexity of the procurement.

Sections of a typical Specification

Introduction

Purpose

Provides a brief description about the purpose of the procurement and the objectives.

Background

Details the Public Authority's role and the related strategic, operational or policy linked to the outcome.

This section gives prospective suppliers an understanding of how and why the requirement arose and may help them put together the best solution. Other information may include how the procurement relates to other requirements and acquisitions, whether already purchased and implemented or planned for in the future.

It should describe any unique or pertinent factors about the conditions/environment which can affect the output, design or performance of the offered solution/methodology. Information may include:

- the implications for the users of implementing the solution or not implementing a solution
- an outline of any research which has been undertaken
- if there are limitations imposed by end-users of the goods and services, explain what those limitations are, e.g. limited access to and within a building, or compliance with a code of practice if based on-site.

Environmental and ergonomic factors may include:

- operating and storage conditions
- the need for interchangeability or compatibility with existing equipment, systems, etc

Developing a Specification Guideline

- availability of energy and other services
- intended users of the product and their ergonomic requirements
- personnel safety aspects
- site inductions
- servicing or maintenance requirements or limitations.

Other documents that support the specification can also be included. Documents most commonly referred to are:

- other specifications;
- standards documents;
- reference publications;
- codes of practice;
- Acts of Parliament; and
- government directives.

Requirements – Goods and services

Procurement Objectives

This section should provide a brief summary of the procurement objectives that were identified and agreed upon with key stakeholders during the needs identification stage.

Scope

The scope should provide a summary description of the desired range and type of goods and services that are likely to be required to achieve the procurement objectives. It should identify what is out of scope and what the supplier is not required to do, for example: if a piece of equipment is being procured but maintenance or consumables are not included in this procurement process.

The scope should also include a brief description of the requirement and the application, purpose or function of the goods or services required. A full description of each element summarised in the scope should be included in the Requirements (discussed below).

Think about options that have been considered, and then options that have been dismissed and why they were dismissed.

Specify the period of the contract and whether it is intended to appoint a sole provider or establish a panel or standing offer arrangement. If it is unknown whether a sole provider or panel will be appointed, explain how this decision will be arrived at.

Mandatory Requirements

These are yes/no scenarios where a failure to meet the specified requirement could impact the procurement outcome. Mandatory requirements may align with the

Developing a Specification Guideline

mandatory criteria.

Mandatory requirements may include things such as:

- qualifications
- Australian Standards
- accreditation requirements
- legislative reporting requirements or other obligations.

Requirements

Statements of requirements can vary significantly in scale and complexity, from a small once-only consultancy to a complex set of requirements intended to cover major outputs and outcomes of an organisation.

The requirements for goods and services can be similar, however, there may be specific matters for consideration in the procurement of goods and the procurement of services.

Consider which of the functional characteristics, performance characteristics and/or technical characteristics are appropriate to best describe the requirements.

Example

Specification Type	Description	Examples
Functional (outcome-based)	<ul style="list-style-type: none"> • Defines the function, duty or role of the goods and services. • Describes what the goods or services are broadly required to do/achieve. • Defines the task or desired result by focusing on what is to be achieved rather than how it is to be done. • <u>Does not</u> describe the method of achieving the intended result. • Enables suppliers to provide solutions to a defined problem. 	“An accessible device capable of conveying children from their school to their homes.”
Performance (outcome-based)	<ul style="list-style-type: none"> • Defines the purpose of the goods and services in terms of how effectively it will perform identified targets. • Is an extension of a functional specification. • Defines the task or desired result by focusing on the minimum outputs required 	“An accessible device is required to convey at least 30 children every afternoon of the school week from their school in a safe manner to their homes within a radius of the school of 15 kilometres. The device shall be capable of achieving this within 1 hour. The device should allow equitable access by all

Developing a Specification Guideline

	<ul style="list-style-type: none"> • <u>Does not</u> describe the method of achieving the desired result. • Allows suppliers to provide solutions to defined problems. 	<p>children”</p> <p>Customer satisfaction – 95%</p> <p>Minimum load capacity – 100 kilograms</p> <p>Service availability – 8am to 4pm, 6 days a week</p>
Technical	<ul style="list-style-type: none"> • Defines the technical and physical characteristics of the goods and services, such as dimensions, colour, exterior finish, design specifics, physical properties • Used when functional and performance characteristics are insufficient to define the requirement. 	<p>“The accessible device is required to have metallic white paint and a V6 diesel engine”</p>

Enough information should be provided to describe the requirement and allow suppliers to develop an accurate cost to deliver the requirements.

The statement of requirements should contain:

- a description of the outputs; or
- functionality and performance requirements; and
- detail the performance measures and benchmarks that will be monitored during the period of the contract (noting that these may need further negotiation with the successful supplier before they become contractual commitments); and
- provide equal opportunity for all potential suppliers to offer goods or services which satisfies the needs of the public authority, including goods or services incorporating alternative solutions.

Technology, systems and management techniques

If applicable, add in details of technology related expectations. This section should also detail data management, cyber security and intellectual property management details. Data management should also be considered and incorporated into the record management strategy.

Records management

Record management includes the creation and control, storage, security, access and disposal. This section should detail any public authority record management requirements.

The specification may cover any of the following considerations:

- full and accurate records of the activity are created
- ownership and custody of records is clear

Developing a Specification Guideline

- what will happen to any client records after the contract term expires
- records are not disposed of without proper authorisation
- government access to records is assured
- records are stored appropriately and kept secure.

Quality requirements

This section should detail the appropriate/required quality assurance processes to be undertaken by the supplier³.

Timeframes

Public authorities should specify the proposed delivery schedule, including commencement date, milestones, completion of deliverables, and a completion date. It may be appropriate to define some dates as indicative and others as set dates, depending on the requirements of the procurement.

Consideration should be given to whether there are any critical time frames, key dates, milestones or periods of time that the supplier must be able to service or meet. For the procurement to be successful, it is important that any identified dates are realistic and achievable.

Performance

This section should detail the performance measures and benchmarks that will be monitored during the period of the contract, including outcomes, key performance indicators (KPIs) or targets for the procurement.

Ensure that these are:

S - specific

M - measurable

A - achievable

R - relevant

T - time bound

Consider not just how performance will be measured, but who will measure performance and how non-performance will be managed.

Contract Sites/Delivery Locations

The specification should detail the proposed location or locations where the contract goods and services are required to be delivered.

Contract Management

³ For procurements with Not-for-Profits, refer to the Not-for-Profit Quality Assurance Framework Guideline and Checklist Tool for more information

Developing a Specification Guideline

The specification should detail the contract management arrangements to be established by both the public authority and what the supplier needs to do to facilitate the internal management of the contract.

Contract management arrangements should also be detailed in the Acquisition Plan. Further guidance can be found in the *Contract Management General Requirements* Schedule as well as being outlined in the public authority's own Contract Management Framework.

Confidentiality

The specification should detail any specific confidentiality requirements or sensitive documents, information or aspects such as site access which the supplier needs to recognise.

Public Authority Specific Requirements

This section of the specification provides for Public Authority's to detail any agency-specific requirements, for example, a respectful behaviours policy or the requirement for a "child safety" clause.

Transition

The specification should detail the requirements relating to transition at the commencement of a contract and at the end of the contract.

Transition In

The specification should address any transition-in requirements before and at the time of contract commencement such as:

- if there is an incumbent supplier, how the incumbent will transition out and the new supplier will transition in
- if the incumbent supplier is continuing to provide the goods and services under a new contract, if the service delivery model, the goods, or the general contract terms have changed
- specifying the responsibilities and transitioning in tasks of the supplier and the public authority
- the requirement for detailed implementation plans and the trigger for this activity
- the transfer or purchase of assets, equipment or materials
- the leasing of office space or
- the recruitment or training of staff.

Transition Out

The specification should also address any transition-out requirements (i.e. at the end of the contract term) such as:

- a description of how it is proposed to transition to a new supplier at the end of the contract

Developing a Specification Guideline

- the requirement for detailed disengagement plans and the trigger for this activity
- the finalisation of reports
- the handover of documents and data/intellectual property
- the return of loaned items or unused materials
- the return by the supplier of any electronic/hard copies of contract documentation, or documentation relevant to the provision of the contract
- the return of any premises and infrastructure in equivalent condition to when it was handed over, or as contracted
- confirmation of relevant and approved archiving or document destruction practices.

Glossary

The specification should include a definition of terms used throughout the market approach documents.

Attachments

A complete list of attachments, as referenced throughout the specification, should also be included.

Staged Approach

For more complex procurements, a staged approach to developing and refining the specifications can be considered. This may involve developing an Expression of Interest (EOI) specifying the requirements at a Functional level. As the process moves towards short-listing, the specifications should become more detailed.

Seek Feedback

After drafting the specification, it is often useful to ask someone who is unfamiliar with the requirement to critique it from a potential supplier's view. Try to identify improvements by considering:

- readability
- simplicity of meaning
- clarity
- logic.

Step 4: Approving the Specification

A public authority's internal governance arrangements and their procurement and financial delegations should set out the approval process for specifications, taking into consideration the complexity of the identified need and the procurement.

Step 5: Issuing the specification

The specification is included as part of the Market Approach Documents and issued in accordance with the public authority's internal procurement framework. It may also

Developing a Specification Guideline

be attached to the acquisition plan, depending on the complexity of the procurement.

Step 6: Managing amendments to the specification

Should a need arise to amend the specification during the advertising period, any amendment should be approved by the authorised delegate in accordance with the public authority's internal procurement framework.

Addenda should be prepared and released as soon as practicable whenever changes are made to the specification during the advertising period. Further information is provided in the *Sourcing Policy*.

Post Sourcing review: Reviewing the specification

Once the invitation has closed, the public authority is required to complete their evaluation in accordance with their approved evaluation plan. Mandatory requirements and other additional information can be found in the *Sourcing Policy* and the *Evaluation Process Guideline*.

At the conclusion of the evaluation, a purchase recommendation should be prepared for approval, and the contract/s awarded in accordance with the public authority's supplier selection process.

In accordance with the *Sourcing Policy*, public authorities will undertake a documented Post Sourcing Review for all complex and strategic procurements to inform and improve future procurement processes and strengthen procurement capability. A review of the specification should form part of the *Post Sourcing Review*, to consider the extent to which it effectively defined the procurement objectives and helped to achieve value for money.

If similar goods and services are likely to be procured again, as part of the planning process for the next procurement, public authorities should undertake a review of the previous specification to consider the extent to which it accurately reflects the public authority's current requirements, and repeat the specification development process (steps 1 – 6).