# Policy Two: Complexity and capability assessment

Context

This policy outlines the requirements for carrying out complexity and capability assessments. It is mandatory for all Victorian Government departments and any public bodies (hereafter referred to as ‘organisations’) that are subject to the supply policies of the Victorian Government Purchasing Board (VGPB) except where supply policies are not mandatory for a public body in accordance with Policy One (Governance).

In meeting the VGPB mandatory requirements, the level of detail in the organisation’s procurement policies and processes will be determined by the Chief Procurement Officer or equivalent and will be commensurate with the organisation’s procurement profile.

Figure 1 illustrates where complexity and capability fit into the procurement process.

**Figure 1: Complexity and capability assessments and the procurement process**



The *Complexity and capability assessment policy* covers two components.

1. **Complexity**

Procurement complexity is the level of intricacy and scope of issues involved in procuring a good or service. The complexity assessment considers a broad range of factors including risk, total cost of ownership and market dynamics associated with the procurement activity.

1. **Capability**

The capability assessment indicates the level of procurement capability in an organisation. Procurement capability is about matching the people, resources, systems and processes to the requirements of procurement activity, ensuring sufficient expertise is in place to carry out the procurement successfully.

Figure 1 details the procurement process and highlights the point at which complexity and capability assessments take place. The assessments are considered together so an organisation can see what level of procurement activity it can carry out with existing resources and where additional or specialist capability may be required.

The assessments take place early in the procurement process and focus on the category level of procurement. However, the assessments should be reviewed during the procurement process as additional considerations and more detailed information is obtained from the sourcing stages of the procurement process.

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| For further information and advice on applying VGPB policies (including guides, tools and templates), visit the Procurement Victoria website at <http://www.procurement.vic.gov.au>. |

1. Complexity assessment

1.1 Mandatory requirements for a complexity assessment

To achieve the best value‑for‑money, an organisation must assess the complexity of a procurement activity before it begins.

The assessment of complexity must be applied to:

* relevant categories of procurement
* any individual procurement activity that
  + does not fall into a category of procurement
  + is strategic or high risk to the business of the organisation

Carrying out an assessment of complexity at the category level can identify individual procurement(s) and strategic and high‑risk procurement(s) that require an individual complexity assessment.

An assessment of complexity must:

* identify and measure the internal and external factors that affect the procurement
* set out the characteristics of the good or service being purchased
* assess the capacity, capability and motivation of the market to supply the goods or service
* set out the value created by the procurement to the organisation and analyse opportunities to improve value‑for‑money
* analyse the potential for aggregating demand
* analyse the potential within the overall procurement need to improve the opportunities for Australia and New Zealand small to medium enterprises to participate in government procurement
* investigate the best way to approach the market that is cost effective to suppliers and buyers and considers opportunities for local businesses to participate

The outcome of the complexity assessment will allocate procurement categories and individual procurements into one of four quadrants of complexity.

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|  | Quadrant | Description (example only) |
| 1 | Transactional | Small value and low‑risk transactions where approved suppliers (e.g. state purchase contracts) are not available. |
| 2 | Leveraged | Frequently used goods/services in a competitive marketplace that are procured by an individual department or whole of government, where the organisation has the ability to drive value. |
| 3 | Focused | Procured goods/services where a limited number of suppliers are available or where novel commercial arrangements are in place. May include whole of government contracts. |
| 4 | Strategic | Goods/services in a competitive market that are high value, where business criticality is high, and/or where the good/service is of State significance. May include whole of government contracts. |

The chief procurement officer is to be consulted when determining the optimal approach to market for any procurement identified as strategic or high risk to the organisation.

Organisations are not required to assess the complexity of a procurement activity when using a standing offer that is a sole supplier arrangement.

1. Capability assessment

2.1 Mandatory requirements for a capability assessment

The accountable officer must ensure that the organisation has an appropriate level of procurement expertise, resources, systems and processes that enable procurement activities to be completed successfully.

The assessment of capability must:

* be carried out by people with appropriate knowledge and expertise
* identify the capabilities needed to carry out procurements
* identify whether the capabilities in the organisation need to be developed or supplemented to undertake procurement

An assessment of capability may be based on the whole organisation or based on particular business units.

Your organisation must not carry out procurement where there is an insufficient level of capability.

Refer to the *Governance policy* for more information on roles and responsibilities.

This policy is one of five Victorian Government Purchasing Board (VGPB) policies.

For more information regarding VGPB Supply Policies refer to [this link.](https://buyingfor.vic.gov.au/goods-and-services-procurement-policies)

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