# **Collaborative procurement: Goods and services guide**

# Find out how organisations can work together to improve value for money for goods and services

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**Collaboration can improve value for money**

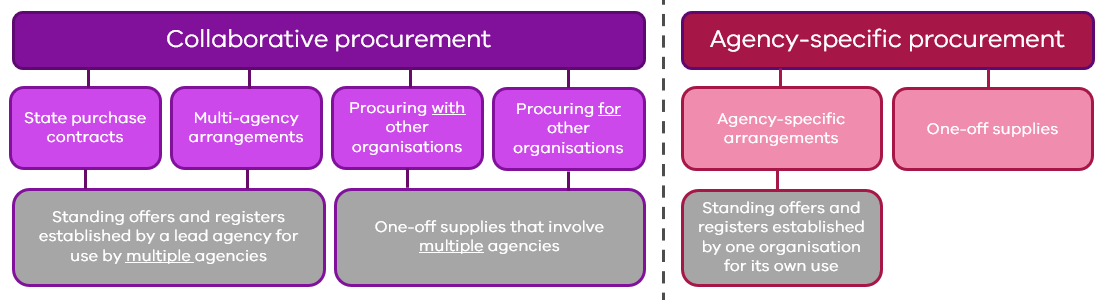
Collaboration may achieve benefits that would not be available when organisations act alone. For example, collaboration may:

* help negotiate better pricing, terms and conditions
* ensure consistency for participating organisations by agreeing contract terms up-front
* proactively manage long-term demand for goods and services across Government
* utilise subject matter expertise or capability in other organisations
* deliver benefits for suppliers (e.g. accessing several buyers through one tender)

## Each type of collaborative procurement has tailored requirements

Collaborative procurement can take many forms. Organisations may either collaborate on a one-off supply or establish a procurement arrangement.

The VGPB supply policies establish requirements for 4 types of collaborative procurement:



Requirements are tailored to the nature and complexity of each type of collaborative procurement.

Collaboration often involves aggregating demand. For example, state purchase contracts (SPCs) aggregate demand across all organisations subject to the VGPB supply policies.

However, organisations can also collaborate in ways that do not involve aggregating demand. For example, an organisation may procure goods or services on behalf of another organisation without needing those goods or services itself.

The [Aggregating demand guide](https://www.buyingfor.vic.gov.au/aggregating-demand-goods-and-services-guide) provides further guidance on identifying and considering opportunities to aggregate demand.

## Governing SPCs and multi-agency arrangements

SPCs and multi-agency arrangements involve procurement activities at two levels:

1. A lead agency establishes a procurement arrangement with the supplier(s). The arrangement is made available for repeated use by participating organisations.
2. Participating organisations use the existing arrangement to acquire goods or services from the supplier(s). How buyers acquire goods or services under the arrangement depends on its structure and rules of use.

The lead agency establishes, manages, and also participates in the arrangement. For example, the lead agency of a mandatory SPC must use the arrangement.

The requirements for SPCs and multi-agency arrangements are similar, with most requirements streamlined for multi-agency arrangements as they involve fewer organisations.

Click each issue to compare requirements for these arrangements:

**Consultation and approval**

**State purchase contracts**The VGPB has a strategic, whole-of-government role in governing SPCs. SPC lead agencies must:

* consult with the VGPB to establish, replace, or materially vary an SPC
* obtain VGPB endorsement of an SPC business case when establishing an SPC

The consultation process should be proportionate to the nature and complexity of the proposed SPC.

Lead agencies provide updates to the VGPB on SPC procurement activities and upcoming business cases and consultations.

The SPC lead agency should initiate consultation by contacting the [VGPB Governance Team](mailto:vgpb@dtf.vic.gov.au), which will:

* determine the level of consultation required for the proposed SPC
* inform and update the VGPB (e.g. requesting information, documents, or presentations from lead agencies)

### Following VGPB consultation and endorsement, the SPC lead agency’s relevant Minister:

### approves the SPC business case

### authorises the lead agency to enter an SPC agreement on behalf of the Victorian Government

**Multi-agency arrangements**

VGPB and Ministerial involvement is more limited for multi-agency arrangements.

To establish a multi-agency arrangement, the lead agency must:

* notify the VGPB of the proposed arrangement
* confirm that there are no plans to establish an SPC covering the goods or services (i.e. to avoid duplication)
* have the business case approved by its accountable officer or delegate

When notified about a proposed arrangement, the VGPB may determine that it will provide strategic oversight of the lead agency’s process for establishing the arrangement. Strategic oversight may also apply to replacing or varying the arrangement.

### Capability

The lead agency must have sufficient capability to establish and manage the arrangement:

* For SPCs, the lead agency must satisfy the VGPB that it has sufficient capability. This should occur through the VGPB consultation and business case endorsement processes.

For multi-agency arrangements, the lead agency must confirm that it has sufficient capability. This should occur by satisfying the lead agency’s Chief Procurement Officer and/or financial delegate.

### Contract management

The lead agency must establish appropriate governance arrangements for SPCs and multi-agency arrangements. This includes a contract management framework.

The [Contract management guide](https://www.buyingfor.vic.gov.au/contract-management-goods-and-services-procurement-guide) provides general guidance on effective contract management. Specific to these arrangements, a contract management framework may include:

* processes for managing access and maintaining confidentiality
* maintaining a record of participating organisations
* processes for participating organisations to escalate issues to the lead agency
* ensuring that the arrangement meets the needs of participating organisations

The lead agency should also consider whether any other governance arrangements are appropriate. This will depend on the nature and complexity of the arrangement. The lead agency may address these in:

* a memorandum of understanding with participating organisations
* the rules of use for the arrangement

**Variations and replacements**

The lead agency may replace or materially vary an SPC or multi-agency arrangement.

**Variations**

Material variations to an SPC or multi-agency arrangement may include changes to the:

* pricing structure
* scope
* term (not including exercising a contractual option to extend)
* quality or performance standards

The lead agency determines whether a variation is material or not. A variation may be material without any change to cost.

The lead agency is responsible for administrative variations to an SPC or multi-agency arrangement (e.g. changing the rules of use). These variations do not follow the approval process for material variations to the arrangement.

When a participating organisation uses an SPC or multi-agency arrangement, they enter a contract with the supplier(s). For example, this may involve issuing a purchase order under a head agreement. Participating organisations are responsible for varying these contracts. The variations do not follow the approval process for material variations to the arrangement.

**Replacements**

The lead agency may establish a new SPC or multi-agency arrangement when the existing arrangement expires. The lead agency may replace an existing arrangement if:

* the existing arrangement expires;
* the proposed arrangement has the same structure and covers the same or similar goods or services; and
* there are strong grounds for sole sourcing from the same supplier.

If any of those criteria do not apply, the lead agency follows the process for establishing an SPC or multi-agency arrangement.

**Approving material variations and replacements**

The approval process for SPCs and multi-agency arrangements differs.

For SPCs, the lead agency:

* consults with the VGPB; and
* obtains approval from its relevant Minister.

For multi-agency arrangements, the lead agency:

* consults with participating organisations; and
* obtains approval from its accountable officer or delegate.

The lead agency’s internal approval processes may also require Ministerial approval (e.g. the Minister may be the financial delegate).

**Access and use**

**Access**

The lead agency determines the participating organisations that will have access to the arrangement during the planning phase. This ensures that the lead agency can:

* inform potential suppliers about the scope of the opportunity during the market approach
* incorporate access mechanisms in the resulting agreement

A participating organisation may gain access to an arrangement in different ways. This will depend on the nature and complexity of the arrangement, and may include:

* the lead agency including a clause in the agreement that allows other organisations to enter a separate contract to acquire goods or services on the same terms and conditions
* the lead agency entering a memorandum of understanding with other organisations

**Using an SPC**

SPCs are primarily established for use by departments and public bodies subject to the VGPB supply policies.

Other public bodies under the Financial Management Act 1994 and some non-government entities may apply to the lead agency to use an SPC. Each SPC agreement will specify which entities can use the SPC.

When establishing an SPC, the lead agency may:

* recommend in the SPC business case that any of these entities should not be able to use the proposed SPC
* make access for these entities subject to the discretion of the supplier(s)

Applications to use an SPC must be submitted to the lead agency, by contacting the [relevant SPC category manager](https://www.buyingfor.vic.gov.au/browse-government-contracts).

When assessing an application, the lead agency should consider:

* + the relationship between the applicant and the Victorian Government
  + how the applicant would benefit from using the SPC
  + whether the applicant’s use of the SPC would disadvantage existing users or impact:
    - any risk relating to the SPC
    - the supplier’s resources or ability to supply the market
    - the lead agency’s resources or ability to manage the arrangement

The lead agency decides whether to approve an application on a case-by-case basis. This decision does not set a precedent for other entities or other SPCs.

If the lead agency approves an application, the applicant may use the arrangement for its duration. If the lead agency replaces an SPC, the applicant would need to re-apply to use the arrangement.

**Who can use a multi-agency arrangement?**

Multi-agency arrangements are not whole-of-government arrangements and only participating organisations can use them.

The lead agency should specify the (groups of) organisations that can use the arrangement in the invitation to supply and contract.

Unspecified organisations cannot apply to the lead agency to use a multi-agency arrangement. Instead, to provide access to unspecified organisations, the lead agency must replace or materially vary the arrangement.

**Rules of use**

The lead agency must establish rules of use that apply when using an SPC or multi-agency arrangement. These rules explain how to access and use the arrangement to acquire goods or services.

When establishing the rules of use, the lead agency should:

* consult with organisations that will use the arrangement
* ensure that the rules are consistent with the buyers’ contractual obligations

The lead agency should periodically review the rules of use and seek user feedback to promote continuous improvement.

What the rules of use cover will depend on the arrangement. For example, the rules of use for a multiple supplier arrangement should:

* explain how buyers engage, select (e.g. a competitive process), and manage the suppliers
* reiterate that buyers must assess value for money when using the arrangement, even if the lead agency considered value for money when establishing the arrangement

Rules of use may address:

* administrative matters (e.g. record management, reporting)
* how to comply with specific policy requirements (e.g. contract disclosure, procurement-related policies)

Rules of use may apply to the entire arrangement or be segmented to reflect different aspects of the arrangement. Segmenting rules of use may be appropriate when:

* the arrangement includes sub-categories
* suppliers have varied capability or competencies
* complexity or risk is not consistent across the entire arrangement
* the arrangement services different geographic regions

**Exemptions**

**State purchase contracts**

The VGPB supply policies establish an exemption process for mandatory SPCs. Applicants must submit a completed [SPC exemption request form](https://content.vic.gov.au/sites/default/files/2023-12/Goods-and-services-state-purchases-contracts-exemption-and-emergency-procurement-form-%282%29.docx) to the lead agency.

Applicants should provide sufficient notice to the lead agency to consider an exemption request. The exemption request should:

* identify the type of exemption sought
* identify the special circumstances that justify the exemption
* provide evidence of the special circumstances

The lead agency should respond to the request as soon as practicable. The lead agency may need further information from the applicant to determine whether to grant or reject the request.

**Multi-agency arrangements**

If a multi-agency arrangement is mandatory, the lead agency should:

* determine whether to include an exemption process for the proposed arrangement

incorporate any exemptions process in the rules of use

### Governing other collaborative procurement activities

### Procuring with other organisations

In this activity, participating organisations:

* collaborate before approaching the market, by sharing information (e.g. organisational demand, market analysis, supplier performance) and developing common requirements; and
* approach the market together using one invitation to supply

Participating organisations can either enter a single contract or separate contracts with the selected supplier(s).

This activity does not require a lead agency and is appropriate where:

* multiple organisations have the same or similar requirements for goods or services; and
* a one-off supply of goods or services will best meet their respective needs.

Each participating organisation needs to:

* comply with its own procurement governance framework
* agree on how they will address specific issues relating to the activity. For example:
  + How will they resource and fund the activity?
  + When are approvals required and who will give approval?
  + How will they pay the supplier(s)?
  + How will they communicate with the supplier(s)?
  + How will they execute and manage the contract(s) (e.g. variations)?
  + Will they report on, or share information about, the activity?

If a standing offer or register would better meet their respective needs, the organisations may consider establishing a multi-agency arrangement.

### Procuring for other organisations

Participating organisations may structure this activity in two ways:

* Principal / agent model – One organisation (the agent) undertakes part of the procurement process for the benefit of one or more other organisations. The other organisations are responsible for contracting with and managing the selected supplier(s).
* Distributor model – One organisation undertakes the entire procurement process for the benefit of one or more other organisations, then distributes the contracted goods or services to the other organisation(s). Unlike SPCs and multi-agency arrangements:
  + this activity involves a one-off supply
  + more than one organisation acquires the goods or services, but only one organisation is responsible for contracting with and managing the selected supplier(s)

Each participating organisation needs to:

* comply with its own procurement governance framework
* agree on how they will address specific issues relating to the activity (e.g. determining their respective responsibilities for the procurement process)

In some circumstances, it may be appropriate for an entity that is not subject to the VGPB supply policies to procure goods or services for an organisation. This may include a non-government entity. However, organisations cannot outsource their accountability for procurement outcomes or their responsibility for VGPB policy compliance. The organisation should:

* consider alternative options for procuring the goods or services
* ensure that the entity follows the VGPB supply policies and relevant procurement-related policies
* ensure that it can demonstrate value for money for the organisation

### Procurement-related policies may apply to collaborative procurement

The [goods and services procurement-related policy fact sheet](https://www.buyingfor.vic.gov.au/goods-and-services-procurement-related-policies-fact-sheet) helps organisations determine which policies apply and where to find further information and support.

For collaborative procurement, key considerations include:

* the goods or services covered by the arrangement or activity
* the value of the activity or arrangement (or activities that form part of the arrangement)
* whether there is a standing offer, register, or one-off supply

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| Using this guide This guide accompanies the [goods and services supply policies](https://buyingfor.vic.gov.au/goods-services-supply-policies). There are 5 supply policies:   * Governance policy * Complexity and capability assessment policy * Market analysis and review policy * Market approach policy * Contract management and disclosure policy   This guide supports the [Market analysis and review policy](https://buyingfor.vic.gov.au/market-analysis-and-review-policy). Tools and support Access a document version of this guide in the [Toolkit and library.](https://www.buyingfor.vic.gov.au/collaborative-procurement-goods-and-services-guide-0)  For more information on collaborative procurement, please contact the [goods and services policy team](https://www.buyingfor.vic.gov.au/contact). |

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