# **Creating a procurement business case – Goods and services guide**

## What is a procurement business case?

A business case documents the information needed to decide whether to support a proposed procurement activity before significant resources are committed to its development. It assesses the costs and benefits of proceeding with a project.

A procurement business case assesses whether you need the procurement, the best way to conduct the procurement and how to achieve the best value-for-money outcomes.

## Why do I need a business case?

A procurement business case:

* provides an audit trail of your decision making process;
* documents the scope of factors impacting the procurement; and
* provides a template against which a procurement outcome can be monitored.

## When do I need a business case?

Every procurement requires a business case, although the scope of the business case depends on the complexity of the procurement. For example:

* a simple, low risk, low value purchase may only need a description of the business need and price;
* a procurement activity with a clear business need, a well understood, competitive market and a standardised good or service may require a few paragraphs on a procurement approval template; and
* a highly complex procurement where the business need is less understood, with diverse levels of market capability and capacity, and varied options for goods and services, would need more in depth documentation to justify the need and to present a range of detailed delivery options.

## How to create a business case

A business case records the results of your assessments of the following interrelated elements of sourcing:

* market analysis;
* project scoping and demand analysis; and
* delivery planning analysis.

Understanding the supply market is an essential component. The business case should cover the ability and interest of the market to supply, the appropriate contract management structure and/or whether the actual procurement requirements could be restructured to better suit the characteristics of the market.

The level of detail required in each of the following components is scalable and will depend on the level of complexity and estimated contract value.

The business case will inform development of:

* market approach
* evaluation, negotiation and selection
* contract management.

## Procurement business case structure

The procurement business case structure lists a range of factors that may be relevant in preparing a case to justify going to market, allocating resources and committing funds.

## 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-goods-and-services-policy-and-guides).

## Tools and support

Access a document version of this guide in the [Toolkit and library.](https://www.buyingfor.vic.gov.au/create-procurement-business-case-goods-and-services-guide-0)

For more information on aggregating demand, please contact the [goods and services policy team](https://www.buyingfor.vic.gov.au/contact).

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