# **Structuring state purchase contracts and other procurement arrangements: Goods and services guide**

# Find out the various ways that organisations can structure a procurement arrangement

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## Procurement arrangements include standing offers and registers

An organisation may establish a standing offer or register that provides for repeated use by one or more other organisations.

Participating organisations may then use these procurement arrangements to acquire goods or services from (selected or pre-qualified) suppliers.

Under the VGPB supply policies, procurement arrangements include:

* state purchase contracts
* multi-agency arrangements
* agency-specific arrangements

**Standing offers**

A standing offer is a procurement arrangement that sets out the terms and conditions (including a basis for pricing) on which the selected supplier(s) will supply goods or services to participating organisations for a specified period.

Participating organisations may acquire goods or services under the arrangement by undertaking a purchasing process or procurement process. This will depend on the structure of the arrangement.

Standing offers with multiple suppliers are known as supplier panels.

**Registers**

A register is a list of pre-qualified suppliers that have satisfied qualification criteria for joining the procurement arrangement to supply goods or services to participating organisations for a specified or indefinite period. Typically, suppliers can apply at any time to participate in the arrangement.

Participating organisations may acquire goods or services under the arrangement by undertaking a procurement process.

The organisation establishing a register should inform potential suppliers of:

* the (categories of) goods or services covered by the arrangement
* participating organisations
* the qualification criteria
* the indicative rules of use (e.g. how buyers will select suppliers)
* expected demand and that pre-qualification doesn’t guarantee business from participating organisations

If [international agreements apply](https://www.buyingfor.vic.gov.au/government-procurement-under-international-agreements-goods-and-services-procurement-guide), additional requirements apply to a register.

The qualification criteria and information requested from potential suppliers should be proportionate to the nature and complexity of the register.

When using a register, buyers will have access to information about pre-qualified suppliers. This information should be reliable, up-to-date, and give buyers confidence to engage pre-qualified suppliers on the register. This will reduce search costs, risk, and administrative burden for buyers.

### Options for structuring procurement arrangements

Organisations may structure procurement arrangements as:

* mandatory or non-mandatory
* open or closed
* sole or multiple supplier

When assessing these options, some considerations may not be relevant to agency-specific arrangements because they involve one organisation only.

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| Option 1 – Mandatory or non-mandatory arrangement **Mandatory arrangements**  A mandatory arrangement may be appropriate where:   * participating organisations need to meet a specific level of demand to obtain benefits from the market * the main purpose of the arrangement is:   + increasing the efficiency or consistency of the procurement process   + mitigating a significant risk to the State   + achieving broader policy objectives * legislation or government policy requires use of the arrangement * the needs or requirements of participating organisations are certain and unlikely to change   Participating organisations must use a mandatory arrangement for its entire term (after any transition period).  **Non-mandatory arrangements**  A non-mandatory arrangement may be appropriate where:   * participating organisations can obtain benefits from the market without meeting a specific level of demand * participating organisations will often need to procure goods or services outside the arrangement (e.g. in some regional areas) * the arrangement may not provide value for money for a significant proportion of participating organisations (e.g. their value drivers differ) * the needs or requirements of participating organisations are uncertain or likely to change   A mandatory arrangement may include categories of goods or services that are ‘non-mandatory’. In this scenario, the rules of use should clearly state which goods or services are mandatory and non-mandatory.  Participating organisations are strongly recommended to use a non-mandatory arrangement (or non-mandatory goods or services covered by an arrangement) if it demonstrates value for money for their organisation. |

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| **Option 2 – Open or closed arrangement**  **Open arrangement**  An open arrangement allows new suppliers to be added during the arrangement.  An open arrangement may be appropriate when:   * market conditions are dynamic (e.g. new solutions, providers and technologies are emerging) * prices, fees, or rates are indicative or may fluctuate * the supply market has diverse expertise or many potential suppliers * requirements are broad or expected to evolve * demand is high or expected to increase compared to the number and capacity of potential suppliers when establishing the arrangement   When establishing an open arrangement, organisations should:   * determine how they will add or remove suppliers and explain this in the market approach * ensure that the expected benefits outweigh the expected cost of operating the arrangement * assess and manage any risks relating to the arrangement   **Closed arrangement**  A closed arrangement does not allow new suppliers to be added during the arrangement.  A closed arrangement may be appropriate when:   * fixed prices, fees or rates apply * requirements are specific (e.g. specialised skills and knowledge, intellectual property) or stable * requirements (e.g. regulatory, confidentiality, security) are better managed by working with a known and trusted group of suppliers * concentrating demand with fewer suppliers would increase the potential for government demand to influence the market * demand can be met by the number and capacity of potential suppliers when establishing the arrangement and is not expected to increase beyond their capacity   When establishing a closed arrangement, organisations should consider the potential impact on small to medium-sized enterprises, social benefit suppliers, or new entrants. These impacts can be reduced by limiting the duration of the arrangement. |

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| **Option 3 – Sole or multiple supplier arrangement**  **Number of suppliers**  The number of suppliers included in an arrangement can have a significant impact on value for money. This includes the organisation’s costs to establish and manage the arrangement.  When establishing an arrangement, organisations should disclose to potential suppliers:   * their demand forecast (e.g. quantity, timing) * the expected structure of the arrangement (e.g. sole supplier, supplier panel)   This will help potential suppliers compare the expected costs and benefits of participation.  **Sole supplier arrangements**  A sole supplier arrangement has a single supplier to meet the needs of participating organisations. This is typically a closed arrangement and may be appropriate when:   * only one supplier can meet the requirements (e.g. proprietary products or services) * the needs or requirements of participating organisations are similar and unlikely to change * the expected benefits of offering exclusivity outweigh the costs or risks of limiting competition between suppliers or the choice and flexibility for buyers * there are fixed rates or established boundaries around rates, time, and performance levels * developing a long-term relationship with one supplier would improve coordination, responsiveness and understanding of requirements * participating organisations aim to simplify or streamline their supplier base or the procurement process by dealing with only one supplier   Sole supplier arrangements may take different forms, including:   * Exclusive supplier model – Participating organisations meet their needs by entering an agreement to exclusively acquire goods or services from a single supplier for the duration of the agreement. * Master vendor model – Participating organisations appoint a single supplier (the master vendor) to coordinate and manage the supply of goods or services from multiple (second tier) suppliers. * Brokerage service model – Participating organisations engage a single supplier (the broker) to facilitate the connection of buyers with suppliers. This can leverage a broker’s market knowledge, supplier network, or procurement expertise. * Software enterprise licence agreement – Participating organisations enter an agreement with a software provider that allows licensees to use the provider’s software products at an organisational or whole-of-government level. The agreement may cover multiple products or associated services from a provider.   **Multiple supplier arrangements**  A multiple supplier arrangement has more than one supplier to meet the needs of participating organisations. This may be an open or closed arrangement. A multiple supplier arrangement may be appropriate when:   * multiple suppliers can, or are necessary to, meet the requirements * the needs or requirements of participating organisations are diverse or likely to change * the costs or risks of limiting competition between suppliers or the choice and flexibility for buyers outweighs the expected benefits of offering exclusivity * prices, fees or rates are indicative or may fluctuate * developing relationships with multiple suppliers can improve responsiveness and fulfilment of requirements * participating organisations aim to simplify or streamline their supply base or the procurement process while providing choice and flexibility for buyers   Multiple supplier arrangements may take the form of a:   * supplier panel (i.e. a standing offer with two or more selected suppliers)   register with multiple pre-qualified suppliers |

## 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/structuring-state-purchase-contracts-and-other-procurement-arrangements-goods-and-services-guide-0)

For more information on how to structure collaborative procurement, please contact the [goods and services policy team](https://www.buyingfor.vic.gov.au/contact).

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