



## Value for Money: Assessing the outcome, not just the price!

### Introduction

The phrase 'value for money' (VFM) occurs 29 times in the *Commonwealth Procurement Rules* (CPRs), it is even present in the heading on page 1 (*refer below*). So, what is VFM, and how do Officials 'achieve' VFM in practice?

Commonwealth Procurement Rules  
1 July 2022

Achieving value for money

This article explores what VFM is, and what achieving it looks like within a government project context.

### VFM - Definition

Strangely, none of the 29 instances of VFM in the CPRs contains a definition. Consequently, some jurisdictions have created their own definition. The South Australian Government have published an article which provides their definition of VFM as being:

*"the achievement of a desired procurement outcome at the best possible price, based on a balanced judgement of financial and non-financial factors relevant to the procurement."*

This is consistent with our definition, that VFM is an outcome.

It is the result of *public resources being used in the most effective manner to achieve the desired procurement*. EMA Advisory believes that by ensuring an outcome is undertaken in the most effective manner, Officials must find the appropriate balance between whole-of-life cost and quality, by applying consideration to components such as 'price', 'risk', 'quality', and 'overall utility' (this is not an exhaustive list) on a case-by-case basis. It is important to note that this test cannot be applied to all procurement activity equally. It is necessary to ensure each component has the appropriate weight as it pertains to the procurement being undertaken.

***VFM is not an isolated assessment of cost; it is an assessment of total cost for the most fit-for-purpose solution.***





### *Example 1 - Simple procurement*

In the context of ICT Procurements, the purchase of a COTS (*commercial-off-the-shelf*) product for Adobe is simple. In this regard, multiple vendors offer the same product for a comparable price. The difference in the overall benefit provided by each Vendor, as well as the risk of each procurement from Vendor to Vendor is practically non-existent. Therefore, the main factor in such a procurement is price.

### *Example 2 - Complex Procurement*

Compare example 1 to a current approach to market (released on AusTender, June 2022) for the 'provision and support of a Digital Annual Reporting Tool, a Transparency Portal and a Performance Data Repository'. This is clearly a significantly more complicated and highly configured procurement.

In this example, this acquisition price must be assessed alongside the implementation and sustainment risks/costs such as inability to configure the system correctly, and the likelihood for future rectification or uplifts which affects the whole-of-life-costs. The risk profile of this procurement could include the size of the vendor, their experience and performance history in providing similar services in the past and compatibility with the Agency's extant technology baseline.

Unfortunately, in most cases 'price', or at least the initial purchase price, is weighted too heavily in determining what to procure from which Vendor. It is also common for solutions to be compared with incorrect weighting of all the factors leading to incorrect assumptions being made to create a comparative baseline.

### **EMA Advisory's Approach**

Our consultants are qualified in law, finance and business management. Collectively they support our Federal Government and Defence clients to undertake procurement activities that achieve objective and quantifiable VFM principles. Our team is currently supporting various procurements across Defence, Federal Government and the Australian Space Agency. The EMA Advisory team is highly experienced in our ability to identify risks, understand requirements more comprehensively, and map out the most effective method to reach a verifiable VFM outcome.

For more information about how the EMA Advisory team can support your organisation to achieve VFM, please contact us at [admin@emaadvisory.com.au](mailto:admin@emaadvisory.com.au)

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