PPM glossary

### Alliance contracting

A form of procurement where the State or another government entity collaborates with one or more service providers to share the risks and responsibilities in delivering the capital phase of a project. It seeks to provide better value for money and improved project outcomes through a more integrated approach between the public and private sectors in the delivery of infrastructure. Project alliancing should generally only be considered in the delivery of complex and high-risk infrastructure projects, where risks are unpredictable and best managed collectively.

### Alternative procurement methodology

Alternative procurement is alliance contracting, or collaborative contracting showing characteristics of alliances, including early contractor involvement and managing contractor procurement models.

### Benefit

The value that resolving the problem will provide to the organisation or its customers and consequently to government. Benefits are normally a positive consequence of responding to the identified problem. Each claimed benefit must be supported by key performance indicators (KPIs) that demonstrate the specific contribution of an investment to the benefits sought by the organisation. The practical application of this can be seen in the Benefit Framework.

### Cost-benefit analysis

A technique that can express in a comparable (monetary) way the net effect of the costs and benefits associated with an investment proposal.

### Dis-benefit

A negative impact that might occur as a direct consequence of implementing a particular solution.

### Gateway Review Process

A review of a procurement project or a program of works/activities carried out at critical points of a project/program’s development by a team of experienced people, independent of the project team. These critical points are known as Gateways or Gates. There are six gateways during the lifecycle of a project and reoccurring program reviews for programs of works/activities.

### Key performance indicator (KPI)

An indicator that, with its associated measures and targets, will provide evidence that expected benefits have been delivered. The KPI selection criteria is used to determine the most suitable KPIs.

### Partnerships Victoria

The Victorian framework for a whole-of-government approach to providing public infrastructure and related services through public–private partnerships.

The policy focuses on whole-of-life costing and full consideration of project risks and optimal risk allocation between the public and private sectors. There is a clear approach to value for money assessment and the public interest is protected by a formal public interest test and the retention of ‘core’ public services. Partnerships Victoria is most useful for major and complex capital projects with opportunities for innovation and risk transfer.

### Project Profile Model (PPM)

A tool (this tool) used to ascertain or profile a program or projects’ level of risk across a number of areas. The outcome of the assessment helps determine whether the program / project qualifies as a High Value and/or High Risk project, which now mandatorily are subject to the Gateway Review Process.

### High Value High Risk Project Assurance Framework

A project will be classified as HVHR if it is a budget-funded project that is:

* considered high risk using this PPM;
* considered medium risk and has a TEI of between $100 million and $250 million;
* considered low risk but has a TEI over $250 million; or
* identified by Government as warranting the rigour applied to HVHR investments.

### Investment Management Standard

A best-practice approach applied over the life of an investment that aims to reduce the risk of investment failure, provide greater value-for-money and drive better outcomes. It has been designed to enable the investor to shape and control investments throughout their lifecycle.

### Real option

The right–but not the obligation–for an investor to undertake certain business initiatives and actions in the future to optimise the opportunities and risks of an investment over its lifecycle and mitigate the risks that an investment will be regretted. Real options do not eliminate the change of regret but seeks to limit the extent of the regret.

### Risk

Risk is often characterised by reference to potential events, consequences, or a combination of these, and how they can affect the successful deliver of the benefits expected of the investment. Risk is often expressed in terms of a combination of the consequences of an event or a change in circumstances, and the associated likelihood of occurrence.

### Risk versus uncertainty

Uncertainty is the extent of variability in the capacity to achieve the desired outcomes or the outcomes themselves. Risks lead to uncertainty.

### Senior responsible owner (or project sponsor)

The SRO has accountability and responsibility for a project. The SRO is the effective link between the organisation’s senior executive body and the management of a project. The Sponsor is also a core member of the Project Steering Committee usually the Chair. In addition to being an experienced executive well versed in the details of organisational stakeholder and client requirements and relationships, the sponsor needs to have experience in project management.

### Strategic options analysis

Aims to identify and explore a range of possible strategic interventions to ‘the problem’ and determine the strategic response best suited to the need. The second aspect of the analysis is to explore a range of project options consistent with the preferred strategic response that will deliver the best result and provide a shortlist for detailed evaluation in the business case.

### Total Estimated Investment (TEI)

This term refers to the total estimate of investment (capital only) in the asset component of a project over a defined period (i.e. contract duration).

### Traditional procurement model

Traditional procurement models include ‘construct’ and ‘design and construct’ procurements.