Fact sheet - Differences between construction procurement and goods & services procurement

**Effective date 1 July 2018**

This fact sheet is relevant for [Agencies that are subject to the procurement rules of the Victorian Government Purchasing Board](http://www.procurement.vic.gov.au/About-the-VGPB/Scope-of-Policies).

This Fact sheet lists key differences between public construction procurement and goods & services procurement.

**Help and support**

If you have any queries, please do not hesitate to contact the Construction Policy Team on 03 7005 9533 or by email: [construction.procurement@dtf.vic.gov.au](mailto:construction.procurement@dtf.vic.gov.au?subject=Feedback%20on%20Draft%20Revised%20Ministerial%20Directions).

| **Subject** | **Public construction procurement** | | **Goods & services procurement** |
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| Enabling legislation | **Project Development and Construction Management Act 1994** | | **Financial Management Act 1994** |
| Direction and support | Minister for Finance and Secretary of the Department of Treasury and Finance, supported by the Construction Policy Unit within the Department of Treasury and Finance. | | Victorian Government Purchasing Board, supported by the Strategic Sourcing Unit within the Department of Treasury and Finance. |
| Agencies covered | Approximately 300 Agencies, being those Agencies covered by the Standing Directions of the Minister for Finance 2016 issued under the **Financial Management Act 1994.**  For a list of Agencies, refer to the fact sheet: [Is your agency subject to the Standing Directions of the Minister for Finance](http://www.dtf.vic.gov.au/files/953ef0bd-0ab4-4835-af21-a78300bc51ac/Is-your-agency-subject-to-the-Standing-Directions-of-the-Minister-for-Finance.pdf). | | Approximately 30 Agencies, being:   * Government departments and specified entities, * the Victorian Public Sector Commission, and * those offices or bodies specified in [section 16(1) of the Public Administration Act 2004](http://www.austlii.edu.au/au/legis/vic/consol_act/paa2004230/).   For a list of Agencies refer to [Agencies subject to the Victorian Government Purchasing Board’s policies](http://www.procurement.vic.gov.au/About-the-VGPB/Scope-of-Policies) |
| Policies expressed through | [Ministerial Directions and Instruction for Public Construction Procurement](https://www.dtf.vic.gov.au/public-construction-policy-and-resources/ministerial-directions-and-instructions-public-construction-procurement), supported by non-mandatory [Guidance for Public Construction Procurement](https://www.dtf.vic.gov.au/practitioners-toolkit/practitioners-toolkit-guidance-public-construction-procurement).  The Directions and Instructions are supported by st[andard construction contracts](https://www.dtf.vic.gov.au/practitioners-toolkit/practitioners-toolkit-standard-form-contracts), contracting practice notes and [factsheets](https://www.dtf.vic.gov.au/practitioners-toolkit-fact-sheets-public-construction-procurement). | | [Five policies](http://www.procurement.vic.gov.au/Buyers/Policies-Guides-and-Tools) cover the end-to-end procurement activity from identifying needs, planning, and market research through to contract management.  Each policy is supported by good practice guides, tools and templates. |
| Scope of policy coverage | Public Construction is defined as:  ‘…any matter relating to the construction, maintenance, rehabilitation, alteration, extension or demolition of any improvements on land by, or on behalf of, departments or public bodies and includes –  (a) design and construction practices;  (b) tendering processes;  (c) project delivery; [and]  (d) contract administration.’ | | Procurement, excluding Public Construction procurement. |
| Exemption from the policies | Allows Agencies to submit applications to be exempted from some or all of the provisions of the policies. | | Not available. |
| International agreements | Requires compliance with international agreements. Additional procurement requirements are specified when international agreements apply. | | Requires compliance with international agreements but does not describe specific requirements. |
| Disclose weightings for evaluation criteria | Disclosing weightings for evaluation criteria is optional.  Weightings for evaluation criteria may be expressed by indicating the relative importance of criteria. | | Weightings for evaluation criteria must be disclosed. |
| Mandatory evaluation criteria | Establishes use of mandatory evaluation criteria:   * value for money; * occupational health and safety management: in the case of Works, the value of the Works exceeds $500,000 (inclusive of GST) in the case of Construction Services, the value of the Construction Services exceeds $200,000 (inclusive of GST); * industrial relations management, where the procurement includes supply of Works and the value of the Works (or Works component) exceeds $500,000 (inclusive of GST); and * appropriate criteria to enable consideration of each tender participant's past performance. | | Does not establish mandatory evaluation criteria. |
| Thresholds for procurement | Thresholds apply. | | Thresholds are not used.  Agencies are required to assess the complexity of a procurement and their capability to undertake the procurement, as required by the [Complexity and Capability Assessment Policy](http://www.procurement.vic.gov.au/Buyers/Policies-Guides-and-Tools/Complexity-and-Capability-Assessment-Policy). |
| **Works**  One written tender consistent with market prices  At least three written tenders sought (works)  Selection from prequalified contractors or open tenders (works) | Up to $50,000 (inclusive of GST)  Above $50,000, but below $500,000 (inclusive of GST)  Over $500,000 (inclusive of GST) |
| **Services**  One written tender consistent with market prices  At least three written tenders sought (works)  Selection from prequalified contractors or open tenders (works) | Up to $50,000 (inclusive of GST)  Above $50,000, but below $200,000 (inclusive of GST)  Over $200,000 (inclusive of GST) |
| Forward procurement plan | Not used. Taken collectively forward notices published on a common platform provide similar information to a forward procurement plan. | | Required to be published annually. |
| Forward notices | Required for open and Selective tenders. | | Optional. |
| Tender Notices | Required for open and Selective tenders. | | Required for open tenders. |
| Disclosure of contracts | Follows the requirements established for goods & services procurement, and requires, in addition:   * disclosure of contracts established under panels and standing order arrangements * disclosure of contracts entered into with suppliers from a register, and * arrangements to vary any contract that requires disclosure. | | Requirements set out in [Contract Management and Disclosure Policy](http://www.procurement.vic.gov.au/Buyers/Policies-Guides-and-Tools/Contract-Management-and-Contract-Disclosure-Policy) |
| Registers of prequalified suppliers | Establishes requirements to establish and operate Registers of prequalified suppliers and requires that a Register is approved by the Secretary to the Department of Treasury and Finance. | | Allows use of registers, but does not prescribe requirements to establish or operate a register. |
| Standard form contracts | Requires use of standard form contracts specifically drafted for construction procurement. | | Model contracts available for general (non-construction) procurement. |
| Shared reporting regime | Establishes a formal process for the assessment of supplier performance and the central recording and sharing of this information. | | Requires that the performance of a contract is monitored. |
| Accountability | Consistent with the devolved accountability framework in the FMA Standing Directions. Review of, and attesting compliance with, the revised Ministerial Directions is part of the attestation under the FMA Standing Directions. | | Reports submitted to the Victorian Government Purchasing Board. |