

A modernised infrastructure procurement framework for Victoria

This modernised framework makes it easier for industry to partner with government to achieve long-term infrastructure outcomes that benefit all Victorians.

Government and industry working in partnership

Victoria continues to be a leader in major infrastructure procurement, with an impressive track record of large, complex and successfully delivered infrastructure projects.

Some of the biggest and most complex projects in Australia are being delivered by Victorian departments and agencies, working in partnership with industry.

Government Infrastructure Investment has grown significantly, reflecting the Government's commitment to a strong and sustainable infrastructure program.

A modernised, simplified framework

This framework represents a whole of government approach to procuring infrastructure that is simpler and more consistent. Its evolution responds to the challenges and demands of an unprecedented investment pipeline and current market conditions. The framework incorporates lessons learned from agencies and their industry partners.

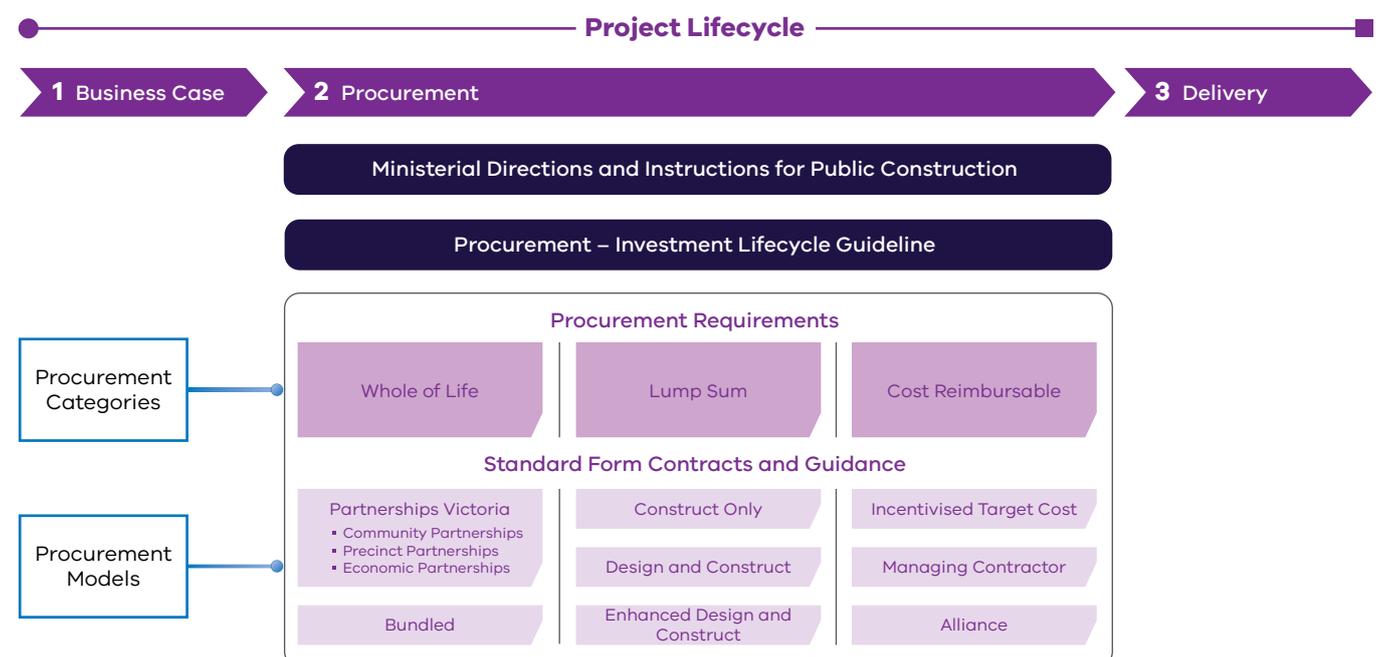
The Government will use the framework to deliver successful infrastructure investments that support vital public services, promote economic growth and boost Victoria's productivity.

There are several key innovations in the new framework, including more tailored and flexible risk allocations in contracts, increased focus on collaboration with industry and improving efficiencies in infrastructure delivery.

The framework supports the preparation of business case and procurement requirements.

The framework introduces three broad categories of procurement. These categories support eight separate procurement models.

Figure 1: Whole of government infrastructure procurement framework



Whole of Life procurement

Models of this type can drive innovation. They improve efficiency and enhance value through a greater focus on long-term service delivery.

In the framework, the Whole of Life procurement models have two streams:

- **The Partnerships Victoria model** includes precinct, community and economic partnerships
- **The Bundled model** includes whole of life activities procured as a package without project finance.

Partnerships Victoria remains key to the suite of infrastructure procurement models available for project delivery. The Partnerships Victoria model combines recent market innovations with established practices. It captures emerging opportunities to secure benefits for the community and value for the Government.

The Partnerships Victoria model provides significant benefits when used for appropriate projects. For example, precinct partnerships have enabled the Government to regenerate aging public housing sites with the support of private investment. Finding a way to enhance this procurement model has created a tangible uplift in social and affordable housing.



Precinct partnerships

suit housing or other precinct developments. They use state investment to attract complementary private investment, delivering broader precinct development and public benefits.



Community partnerships

suit projects that provide essential social infrastructure, including hospitals, schools and justice facilities. The private consortium delivers and manages the infrastructure, allowing practitioners to focus on providing the key services for the community.



Economic partnerships

suit economic infrastructure projects, including transport and utilities. They leverage potential revenue and user payments to help fund these critical assets.

Cost Reimbursable procurement

The Cost Reimbursable procurement category includes three models:

- Incentivised Target Cost (ITC)
- Managing Contractor
- Alliance.

Previously referred to as 'collaborative' procurement, these models provide flexibility in managing uncertain project circumstances, including design and risks.

Cost reimbursable models recognise certain risks cannot be effectively allocated to the private sector using a fixed price.

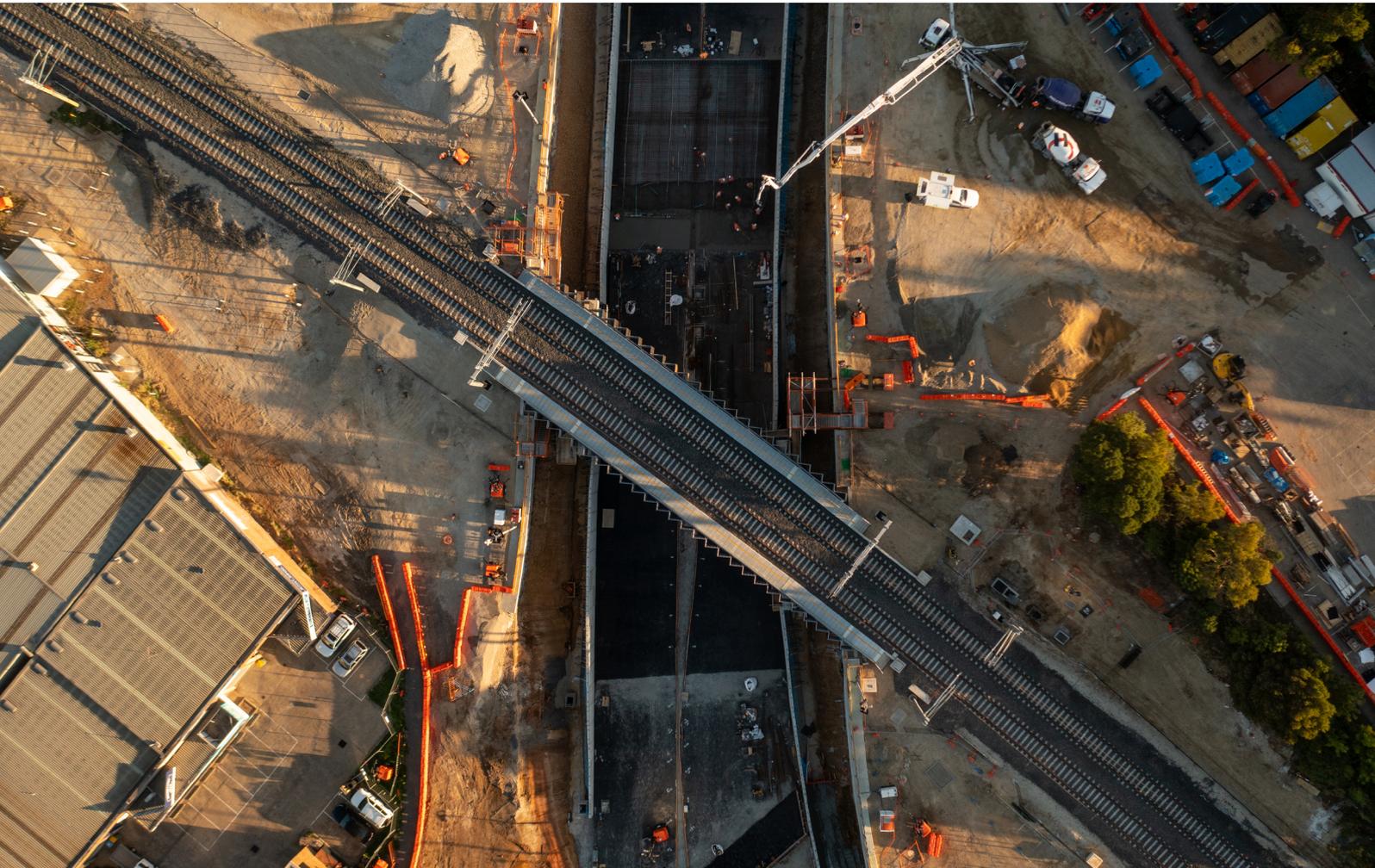
Lump Sum procurement

The Lump Sum procurement category includes three models:

- Construct Only
- Design and Construct (D&C)
- Enhanced Design and Construct (EDC).

These Lump Sum procurement models are fixed price contracts. They suit projects where agencies can clearly articulate the scope and where there are relatively few project uncertainties.

The new EDC model provides a modernised approach to lump sum contracting where previously this type of procurement would have been deemed unsuitable. Targeted risk sharing elements can respond to specific risks and challenges, such as contamination.



New policies and guidance notes to support the framework

The updated *Procurement – Investment Lifecycle High Value High Risk (HVHR) Guideline* outlines the process and relevant context for infrastructure procurement.

It provides guidance on how to select the optimal procurement method and packaging approach when preparing a business case. It also provides an overview of how to conduct effective procurement, from tender development to contract negotiation and award.



The three new categories of procurement (Whole of Life, Lump Sum and Cost Reimbursable) are also enabled with:

- a procurement requirements document that outlines the mandatory government approval requirements and best practice expectations for high value, high risk projects
- a standard form contract and accompanying guidance for each procurement model.

DTF has released a suite of documents to support the new framework. These are available at the links below:

- [Procurement – Investment Lifecycle High Value High Risk \(HVHR\) Guideline](#)
- [Cost Reimbursable Procurement Requirements](#)
- [ITC standard deed and supporting guidance](#)
- [EDC standard deed and supporting guidance](#)
- [a suite of harmonised project documents for Partnerships Victoria projects.](#)

Separately, DTF is developing a suite of standard form contracts for small to medium scale projects delivered through lump sum models. DTF will continue to develop documents across the set of procurement models.

For more information about the infrastructure procurement framework visit [Procurement – Investment Lifecycle High Value High Risk Guidelines](#) or contact the Department of Treasury and Finance by email at: infrastructure.delivery@dtf.vic.gov.au.

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