Policy
Policy Directive: compliance is mandatory
Acquisition Planning Policy Directive

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Summary
The Acquisition Planning Policy Directive provides advice on assessing the complexity and value profile of the procurement and developing an acquisition plan that details a comprehensive procurement strategy. It is important to note that financial authorisation must be obtained prior to the commencement of the procurement process.

Keywords

Policy history
Is this a new policy? N
Does this policy amend or update an existing policy? Y
Does this policy replace an existing policy? Y
If so, which policies?
Acquisition Planning Policy Directive V1.0

 Applies to
All SA Health Portfolio

Staff impacted
All Staff, Management, Admin, Students; Volunteers

EPAS compatible
No

Registered with Divisional Policy Contact Officer
No

Policy doc reference no.
D0359

Version control and change history

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<td>Current</td>
<td>To align with State Procurement Board policies and/or guidelines</td>
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Acquisition Planning Policy Directive
Document control information

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<tr>
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<th>Chief Procurement Officer</th>
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<tr>
<td>Contributors</td>
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<td>Director, Procurement,</td>
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<td>Procurement &amp; Supply</td>
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Document history

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Endorsements

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<td>10/12/14</td>
<td>Chief Procurement Officer, Procurement and Supply Chain Management</td>
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Approvals

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Acquisition Planning Policy Directive

1. Objective

The objective of this policy directive is to outline the mandated requirements of acquisition planning and provide direction/guidance in developing and documenting a comprehensive procurement strategy in the acquisition plan. Appropriate acquisition planning is important in:

  a) obtaining value in the expenditure of public money
  b) providing for ethical and fair treatment of participants
  c) ensuring probity, accountability and transparency in procurement operations

2. Scope

This policy directive applies to all SA Health staff undertaking the procurement of goods and services.

  2.1 In scope

This directive applies to all procurement processes for the procurement of goods and services with a total value of more than $220K and construction works up to and including $165K.

  2.2 Out of Scope

The requirements outlined in the Acquisition Planning Policy Directive do not apply to multi-party research grants where the competitive assessment process is undertaken by an external party (e.g. national research funding body such as the National Health and Medical Research Council or the Australian Research Council).

For procurement with values up to and including $220,000, follow the State Procurement Board’s Simple Procurement Guideline. All simple procurement templates are available on SA Health’s Procurement & Contract Management System (PCMS).

For secondary procurement against established panel contracts and construction works with a total value above $165K, refer to the SA Health Panel Contracts Policy Directive.

3. Principles

An acquisition plan must be prepared for all procurements with a value above $220,000. This SA Health Policy Directive complies with the requirements of the State Procurement Board Acquisition Planning Guideline.

For all procurement over $220,000:

- The acquisition plan must be approved by an appropriate delegate
- The acquisition plan template must be used
- The approval must be obtained in PCMS
- The acquisition plan must be recorded in PCMS
- The summary risk register at Appendix 1 must be prepared all procurements
- An evaluation plan must be prepared for all procurements
- A probity plan must be prepared for Quadrant 4* procurements

*Refer to Section 4.4
As direct negotiation carries a high potential risk to the integrity of probity, the development of a probity plan needs to be considered for all direct negotiation regardless of quadrant. For further information on probity, refer to the Probity in SA Health Procurement Policy Directive.

All dollar values are GST inclusive.

3.1 Before Starting a Procurement Process

The budget owner must confirm funding for the procurement is available prior to the commencement of the procurement process. For new initiatives prior to commencing a procurement process, business unit / health service must ensure the requirements of Treasurer’s Instructions 17 have been met.

4. Detail

4.1 What is Acquisition Planning?

Acquisition planning involves developing a procurement strategy that facilitates the achievement of a value for money outcome to meet the business need. The procurement strategy should be based on the business need, value, complexity and market characteristics and is documented in an acquisition plan.

In addition to obtaining formal endorsement of the procurement process from the appropriate procurement authority, acquisition plans create an understanding of the nature of the purchasing requirement which may provide the following benefits:

- Enables the identification of the most appropriate procurement strategy
- Improves the ability to manage the procurement
- Improves risk identification and management
- Facilitates better value for money outcomes
- Improves relationships with suppliers through more effective procurement processes
- Allows the consolidation of spend to improve efficiencies through the creation of strategic contracts

Successful acquisition planning ensures that the most appropriate acquisition strategy is selected to fulfil the public authority’s procurement objectives in a timely manner and at an acceptable cost.

The time taken to plan, research and analyse procurement significantly contributes to the identification of the best value for money strategy. As such, this guideline emphasises the importance of devoting greater time, resources and effort in the acquisition planning phase of the procurement process.

Where the strategy relates to an across government procurement, the establishment of strategic across government contracts should consider the needs of regional areas and provide where appropriate, opportunities for local suppliers or agents where such suppliers or agents exist.

4.2 When is Acquisition Planning Required?

Acquisition planning must be undertaken for all procurements valued above $220,000, regardless of the procurement strategy or market approach and regardless of the approving authority. Acquisition Plans must take into account the requirements set out in this directive by utilising the Acquisition Planning Template.
The rigour of acquisition planning should be varied in line with the complexity and value of the acquisition and should commence as early as possible in the procurement process to maximise the identification of commercial opportunities and risks mitigation.

⚠️ Complexity and risk are not the same. Further explanation of complexity is provided in section 4.3: Acquisition Planning and its Relationship to Complexity and Value Quandrants.

### 4.3 Acquisition Planning and its Relationship to Complexity and Value Quandrants

To ensure that the time and effort spent planning procurement is commensurate with its complexity and value, and to deliver the best value for money outcome, the following Quadrant Assessment Matrix has been developed.

For simple procurements valued up to and including $220,000, apply the State Procurement Board’s Simple Procurement Guideline.

The Complexity Assessment only applies to procurement greater than $220,000.

To determine the quadrant in which a particular procurement is most appropriately positioned, an assessment of the procurement’s value and complexity should be undertaken as one of the first priorities of the acquisition planning process.
Low value procurements (quadrants 1 and 2) are valued at up to and including $4.4 million and high value procurements (quadrants 3 and 4) are valued above $4.4 million. All values are GST inclusive.

Value is the estimated total value of any contractual commitments that may result from a single procurement exercise. It incorporates the GST inclusive cost over the potential life of the contract including optional extensions.

**Complexity**

After assessing the value, to determine the quadrant in which procurement is to be assigned, consider the following six questions shown in the table below. Based on answers to these questions, a complexity and its quadrant are determined. This is in line with the State Procurement Board requirements.

These questions are a high level assessment only. Areas that add complexity typically relate to availability and continuity of supply, quality standards, safety, and regulatory issues.

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>YES</th>
<th>NO</th>
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<tr>
<td>Does the supply market have the capability to meet current and anticipated demand?</td>
<td>![Yes]</td>
<td>![No]</td>
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<tr>
<td>Can the public authority readily continue to function (meet all key customer needs) if supply is interrupted?</td>
<td>![Yes]</td>
<td>![No]</td>
</tr>
<tr>
<td>Is there a low probability that the goods/services will be superseded or become obsolete during the life of the contract?</td>
<td>![Yes]</td>
<td>![No]</td>
</tr>
<tr>
<td>Is provision and ongoing use of the goods/services considered to be safe?</td>
<td>![Yes]</td>
<td>![No]</td>
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<tr>
<td>Is stakeholder and public interest in the purchase low?</td>
<td>![Yes]</td>
<td>![No]</td>
</tr>
<tr>
<td>Are all risks assessed as low and/or managed through standard practices and routine procedures to ensure that they will not impact on the achievement of the procurement objectives?</td>
<td>![Yes]</td>
<td>![No]</td>
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</tbody>
</table>

**While high complexity procurements are often associated with high risk, consideration of the complexity of procurement against the questions posed above is not, in itself, intended or designed to be a risk assessment. A risk assessment needs to be completed separately, as per the requirements for a specific procurement.**

**For all procurements above $220,000 (inc GST), the Risk Register at Appendix 1 must be completed. For further information on risk management refer to the SA Health Risk Management Framework.**

### 4.4 Acquisition Plan Template

The Acquisition Plan Template must be used for all procurements with a value above $220,000. The template provides guidance in developing a detailed understanding of the procurement need,
and documenting the most appropriate acquisition strategy to meet the procurement objectives. An Acquisition Plan template is available on the PSCM intranet.

The detail and scope of the Acquisition Plan will vary according to the nature, complexity and value of the procurement being undertaken.

### 4.5 Approval of Acquisition Plans

SA Health has specific requirements for approval of acquisition plans.

- Engagement of contractors must be approved prior to the approval of the acquisition plan
- Engagement of consultants must be approved prior to the approval of the acquisition plan
- Acquisition plans must be endorsed and approved by appropriate delegated authorities, including from business units

For further information, refer to the Consultant/Contractor Engagement Factsheet.

In accordance with the State Procurement Board requirements, the Chief Executive must approve all single source (direct negotiation) procurements. PSCM will seek the Chief Executive’s approval once the relevant SA Health delegate has approved the acquisition plan.

**Acquisition Plan**

Acquisition plans must be approved by the appropriate officer assigned the authority to approve a procurement prior to implementation of the acquisition plan and approach to the market. The appropriate delegate is determined by the value of the procurement.
Approval Mapping

The approval map below illustrates approval requirements for each quadrant in regards to acquisition plan, single source/ direct negotiation.

CPO* Approval and Endorsement by CPO (or for nRAH submissions, Director of FF&E, CALHN, to approve up to $1.1M and endorse above $1.1M).

The CPO may approve acquisitions up to $11M where the procurement is low complexity and the market approach is an open Request for Tender/Request for Proposal.

Director Procurement Endorsement not required for nRAH submissions

Note

- Any procurement approving delegate may refer the submission to the next tier delegate. The Chief Executive as the principal officer is the formal delegate.
- The Chief Executive has established the Health Procurement Committee (HPC) to approve procurement processes.
- The Health Procurement Committee in turn has established the Procurement Approval sub-Committee (PAC) to approve procurement.
- Acquisition Plan and Purchase Recommendation
  - Appropriate delegated authorities from business units to endorse an acquisition plan and purchase recommendation prior to submitting to category management in PCMS to facilitate CPO endorsement/ approval.
- Single Source / Direct negotiation
  - Procurement below $220K does not require an additional approval for direct negotiation.
  - Once an acquisition plan is approved, or in the case of procurement valued over $11 million, endorsed, PSCM will facilitate the CE approval process.
The acquisition plan approver is also responsible for the approval of the purchase recommendation; however, they may delegate this authority at the time of approving the acquisition plan. For this reason, the acquisition plan must clearly identify who will approve the purchase recommendation.

4.6 The Role of Approval Authorities

The acquisition plan must be recommended (signed off) by the relevant senior officer in the business unit / health service (generally a director or equivalent) or project board (where applicable). In some cases, the approving authority may provide approval subject to certain conditions being met.

The approving authority has the option to approve, approve subject to conditions, not approve the acquisition plan, or defer its approval pending the provision of additional information.

Where procurement presents a high level of risk to government (including reputational risk) or where it has a potential across government impact, PSCM can elect to forward the Acquisition Plan to the State Procurement Board to gain an independent assessment, irrespective of its complexity and value.

A higher approving authority may, at its discretion, review any acquisitions, of any value, for compliance with State Procurement Board policies and guidelines.

Funding confirmation from the budget owner must be obtained before procurement approval is sought and recorded in section 1 of the Acquisition Plan template. Any new initiatives require funding approval from the appropriate financial delegate in accordance with Treasurer’s Instruction 17 Public Sector Initiatives.

The separate financial authority to enter into a contract (in accordance with Treasurer’s Instruction: 8 Financial Authorisations) is required following approval of the purchase recommendation.

4.7 Deviation

Where, in implementing the approved acquisition plan, a requirement deviates from the approved plan, justification for that deviation must be documented and the deviation approved in accordance with the SA Health Deviation from Approved Acquisition Plan Approval Policy Directive.

To ensure that deviations from approved acquisition plans only occur in exceptional circumstances, every effort should be made in the acquisition planning phase to ensure that the acquisition plan reflects the appropriate procurement strategy and process to be undertaken. The likelihood of deviations to the acquisition plan occurring during the procurement process may be identified and addressed in the acquisition plan and the delegation of authority to approve such deviations sought in the plan.
4.8 Supporting documentation

The following table provides the requirements for supporting documents to the acquisition plan against each quadrant.

<table>
<thead>
<tr>
<th>Supporting Document</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<td>M</td>
<td>M</td>
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<td>Specification</td>
<td>M</td>
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<td>M</td>
<td>M</td>
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<td>*Response Document</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
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<tr>
<td>Evaluation Plan</td>
<td>M</td>
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<td>M</td>
<td>M</td>
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<td>Risk Register (Appendix 1)</td>
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<td>M</td>
<td>M</td>
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<tr>
<td>Probity Plan</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>M</td>
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<tr>
<td>#Draft Contract Management Plan</td>
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<td>O</td>
<td>O</td>
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‡ In limited circumstances, and at the discretion of the approval authority, the approval authority may consider an acquisition plan prior to the evaluation plan, specification and response schedule being finalised. In these cases a near final draft of these documents may be accepted by the approval authority.

# A draft contract management plan is optional; however, it is required when submitting a purchase recommendation for Quadrant 3 and 4 procurements.

4.9 Limitation of Liability – Low Risk Contracts below $1 million

Cabinet has approved the following default liability cap for low risk contracts valued up to $1 million:

“Low risk contracts” are considered to be contracts that have been assessed as having a low risk (after risk treatments) as determined by the public authority’s risk management rating matrix.

The default liability cap for low risk contracts with a contract value up to and including $1 million is five times the contract value. The prescribed heads of liability must not be capped.

For contracts where the Cabinet approved default liability cap applies, the default liability limits should be reflected in tender documents. For all other contracts, the standard limitation of liability clauses apply.

Where, during negotiations, a provider proposes a liability cap, a risk assessment must be undertaken to determine the cap for the contract, in accordance with the Department of Treasury and Finance’s Guidelines for the Limitation of Liability of Suppliers, Consultants and Contractors.
4.10 Contract Renewals

Where a contract is currently in place, it is important that forward planning is undertaken to ensure that sufficient time is allowed for an appropriate acquisition strategy to be developed, approved and implemented before the contract expires. This includes early consideration of extension options to ensure acquisition planning can be undertaken if the extension is not undertaken.

Where a contract has already expired, any subsequent actions will be considered a new procurement. Where a contract has not yet expired and does not contain any extension options, it can be extended before expiration by enacting a mutually agreed variation to the contract, in accordance with SA Health’s Contract Variation Policy Directive which provides examples to assist public authorities to meet a short term need or imperative when this occurs.

5. Roles and Responsibilities

The business unit / health service conducting the procurement is responsible for engaging with PSCM in the development of the acquisition plan. The business unit / health service and PSCM will agree the respective responsibilities for the completion of the various parts of the acquisition plan.

It is also necessary that the business unit / health service and PSCM carefully considers the continuity of officers when selecting for inclusion in the procurement project team and incorporates a transition process should any change occur.

6. Reporting

N/A

7. EPAS

N/A

8. Exemption

An exemption to any aspect of the Acquisition Planning Policy Directive can only be granted by Chief Procurement Officer, Deputy Chief Executive, Finance & Business Services, or Chief Executive, SA Health.
9. Associated Policy Directives / Policy Guidelines

State Procurement Board Simple Procurement Guideline
State Procurement Board Risk Management Guideline
State Procurement Board Procurement Authority Policy
State Procurement Board Panel Contracts Guideline
State Procurement Board International Obligations Policy
State Procurement Board Standard Tender and Contract Documents Policy
State Procurement Board Standard Tenders and Contracts Guideline
State Procurement Board Market Approaches Guideline
State Procurement Board Industry Participation Guideline
State Procurement Board Probity and Ethical Procurement Guideline
State Procurement Board Contract Management Guideline
State Procurement Board Supplier Selection Guideline

10. References, Resources and Related Documents

The following documents are either referenced or related to this document:

Whole of Government – Compliance
  > State Procurement Act 2004

  > State Procurement Board policies and guidelines

SA Health – Policy Directive and Policy Guidelines
  > Procurement and Supply Chain Management Policies and Guidelines
  > Risk Management Policy
  > Risk Management Framework
  > Contract Variation Policy

SA Health – Related Documents
  > Purchase Recommendation Template
  > Acquisition Plan Template
  > Simple Procurement Plan Template
  > Simple Acquisition Plan Template
  > Simple Purchase Recommendation Template
  > Probity Plan Template
  > Contract Management Plan Template
11. Other

For further information regarding the development of Detailed Acquisition Plans and supporting documents, contact Category Management, Procurement and Supply Chain Management.

12. National Safety and Quality Health Service Standards

N/A

13. Risk Management

A Risk Register (Appendix 1) is required to be completed for all procurements above $220,000 (inc GST). The identification and assessment of risks associated with procurement is undertaken in accordance with the SA Health Risk Management Policy and Framework.

14. Evaluation

Compliance with the requirements of this policy will be monitored by PSCM via the procurement compliance program which will assess a selection of procurements against departmental or across government policy and legislative requirements.

15. Attachments

N/A

16. Definitions

SPB – State Procurement Board

Value for Money - Best value for money is achieved by applying cost effective purchasing approaches to deliver the best overall result for money spent. This involves the assessment of relevant cost and non-cost factors. The State Procurement Board requires that value for money is the primary objective of procurement.