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PROCUREMENT
OFFICE

Public Procurement Practice

Value for Money Principle

Value for money is defined as the most advantageous combination of cost, quality and sustainability to meet customer requirements within the required time.

In this context:
- **Cost** means consideration of the whole life cost or total cost of ownership (TCO)
- **Quality** means meeting a specification which is fit for purpose
- **Sustainability** means economic, social and environmental benefits is considered
- **Required time** means the goods or service can be provided within required time

Achieving value for money does not always mean that the 'highest quality' good or service is selected. It also does not mean that the 'lowest cost' good or service is always selected.

WHEN TO APPLY VALUE FOR MONEY PRINCIPLE (VFM)

VFM is applied in all stages of Procurement.
1. **Planning:** VFM must be considered during the planning stage to identify opportunities to leverage competition and market dynamics, promote productivity and take advantage of innovations in the market.
2. **Evaluation:** VFM must be a key objective in evaluation methodology
3. **Contact Management:** It is Important to drive continuous improvement during the contract period and to ensure what was agreed to is provided by the supplier.

DRIVERS OF VALUE FOR MONEY

The drivers can be described as the 3 E's which are Economy, Efficiency and Effectiveness.

IMPORTANT CONSIDERATIONS

1. Competition and contestability are important in achieving VFM. Attracting a wide base of suppliers including SMEs are important considerations to achieve VFM
2. Letting the market know that VFM is important alerts suppliers to offer the best