

# Commercial Capability Framework

for infrastructure delivery agencies





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# Introduction

The Commercial Capability Framework is a tool to define and measure commercial skills and competencies of Victorian public service (VPS) and Executive Officer staff working in infrastructure delivery roles. It gives guidance on the behaviours, skills and expertise that reflect different levels of commercial capability required to deliver successful project outcomes.

This publication can be used by executives, managers, and individual staff to:

- » identify the different levels of commercial acumen that different roles require;
- » encourage staff development discussions on their current commercial capability and what they need to develop to be successful in current and future roles;
- » help write position descriptions and determine appropriate key selection criteria;
- » identify gaps and areas for development in individual and team capabilities; and
- » identify areas of focus for future learning and development opportunities.

The publication includes:

- » a guide to understanding the Commercial Capability Framework;
- » suggested application of the framework; and
- » the Commercial Capability Framework.

This Commercial Capability Framework is targeted at infrastructure delivery agencies. However, non-infrastructure areas can still use the aspects of the framework that are relevant to their needs.





# Background

## Enhancing Victorian public sector capability

Research carried out by Office of Projects Victoria (OPV) has identified commercial capability as a highly sought-after competency for infrastructure delivery agencies. However, commercial capability development is not well served by current VPS professional development offerings.

In December 2017 OPV started a process to develop commercial capability training for employees from infrastructure delivery agencies, working with specialist infrastructure advisory firm BRS ([www.brsresults.com](http://www.brsresults.com)). BRS developed the initial commercial capability framework to ensure the training courses aligned with the commercial capability skills required by the Victorian Government in the short, medium and long term to deliver value for money outcomes for the community.

In the process of developing the training course, a range of data (derived from interviews, training needs analysis, surveys and an interactive pilot of the training course) was collected that pointed to desirable commercial capabilities and behaviours to support effective project delivery.

Through consultation it was also identified that delivery agencies need resources to help define and measure commercial skills in a consistent and transparent way to build the capability and capacity of their people and organisations.

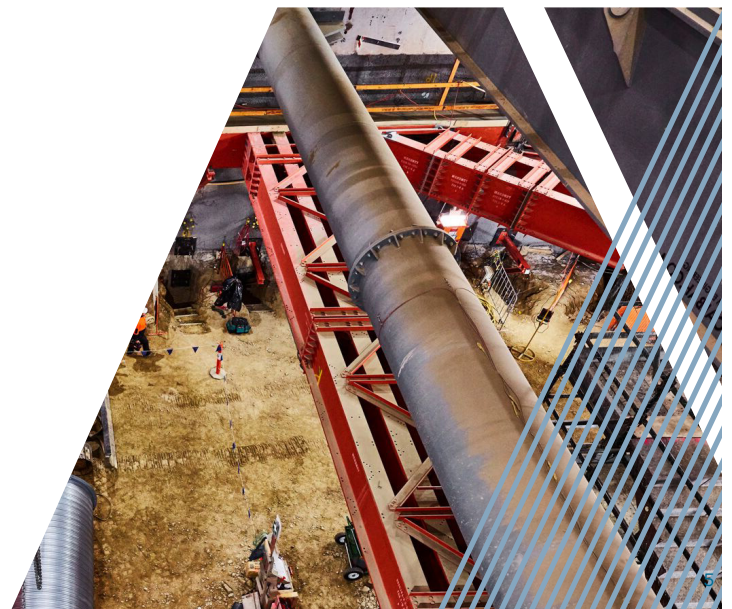
This framework consolidates this data into a resource that can be used by delivery authorities to help attract, develop and retain appropriate commercial skills across their workforces.

The framework is being made available to all delivery agencies to use or adapt according to their needs.

The Commercial Capability Framework complements the Victorian Public Sector Commission's (VPSC) broader public service capability frameworks. The VPSC frameworks currently do not include a specific domain for commercial skills.

The development of the Commercial Capability Framework aligns with work underway across the VPS to build workforce capability and reduce reliance on external service providers contracted by the State Government.

The framework has been developed with input from the VPSC, the Department of Premier and Cabinet, the Department of Treasury and Finance, the Construction Procurement Policy Unit and infrastructure delivery agencies.





# Guide to understanding the Commercial Capability Framework

## Why is commercial capability important?

Commercial capability (or acumen) is integral to achieving value for money outcomes. Government departments and agencies are responsible for billions of dollars of spending annually. Victorian public servants directly or indirectly contribute to the value for money this spending achieves in the community and with our supply chain partners. Being equipped with strong commercial acumen helps to improve efficiency and investment outcomes. Strong commercial capability underpins the Victorian Government's ability to be a commercially astute client and achieve value for money in all investments.

The benefits of improving commercial acumen include:

- » improved decision making in agencies at all levels;
- » increased procurement effectiveness and better procurement outcomes;
- » maintaining a 'value for money' mindset from the start of projects through to delivery;
- » improved relationships with service providers and our supply chain partners;
- » reduced disputes and improved variation management with service providers;
- » increased focus on mutually beneficial outcomes with service providers;
- » improved development of staff from a commercial capability perspective;
- » increased confidence in infrastructure delivery agencies to deliver successful project outcomes;
- » improved commercial leadership in agencies at all levels; and
- » increased cost savings.

## Foundation of the Commercial Capability Framework

The framework contains six elements that underpin commercial skills. There are three levels of capability described in the framework: foundational, adept and advanced.

The framework describes behaviours consistent with each level of commercial capability. The framework also includes the relevant knowledge and experience consistent with each level of commercial capability. The framework should be used as a guide with tailored commercial capability required by each organisation to be developed on a case by case basis.





# Suggested application for the framework

The Commercial Capability Framework has been developed to be used in circumstances including:

- » to shape position descriptions in recruitment;
- » to inform performance development plans based on identified gaps in capabilities;
- » to identify gaps in teams and build internal capability;
- » to investigate commercial capability training offered by the OPV; and
- » to assist workforce planning.

## Position descriptions

The framework can be used to prepare position descriptions. Managers should identify the elements of commercial capability that are relevant to the role as well as the required level of capability for the role. The description from the framework for that element can then be used to develop the key selection criteria.

## Performance development plans

The framework can be used by individuals to identify their current strengths and weaknesses. This can help individuals identify the skills they need to improve for their desired career progression. This should be incorporated into performance development plans. When meeting with supervisors to set goals individuals can use the framework to highlight areas they wish to gain experience in and focus areas for learning and development opportunities.

## Workforce Planning

Leaders may use the framework to identify the commercial capability requirements for their teams and organisations. This analysis can then be used to identify learning and development opportunities as well as to influence future recruitment planning.

## Commercial capability training

OPV offers a commercial capability training course, running regularly for VPS employees. This is a foundational course aimed at VPS 5/6 level. The next levels of commercial capability courses including adept and advanced courses are currently being developed.

Email [enquiries@opv.vic.gov.au](mailto:enquiries@opv.vic.gov.au) to find out more about the commercial capability courses that are currently being offered.





# Commercial Capability Framework

The Commercial Capability Framework contains six elements of commercial competency.

## Elements of the framework

1.



### Relationships with stakeholders and supply chain

Develop strategic relationships and networks with supply chain partners and service providers to understand their commercial, financial and business drivers and navigate project challenges.

2.



### Financial and commercial management

Understand key elements of financial and commercial management with a view to creating, driving and obtaining value for money.

3.



### Project risk and opportunities

Establish a consistent understanding of project risk, risk allocation and the balance between managing risk and delivering high-quality commercial outcomes.

4.



### Procurement models and strategies

Understand different procurement models and how they drive contractor behaviour, delivery strategies, commercial requirements and outcomes.

5.



### Contracts and commercial alignment

Manage contracts to identify opportunities for innovation and value creation in the contractual relationship and to meet organisational objectives.

6.



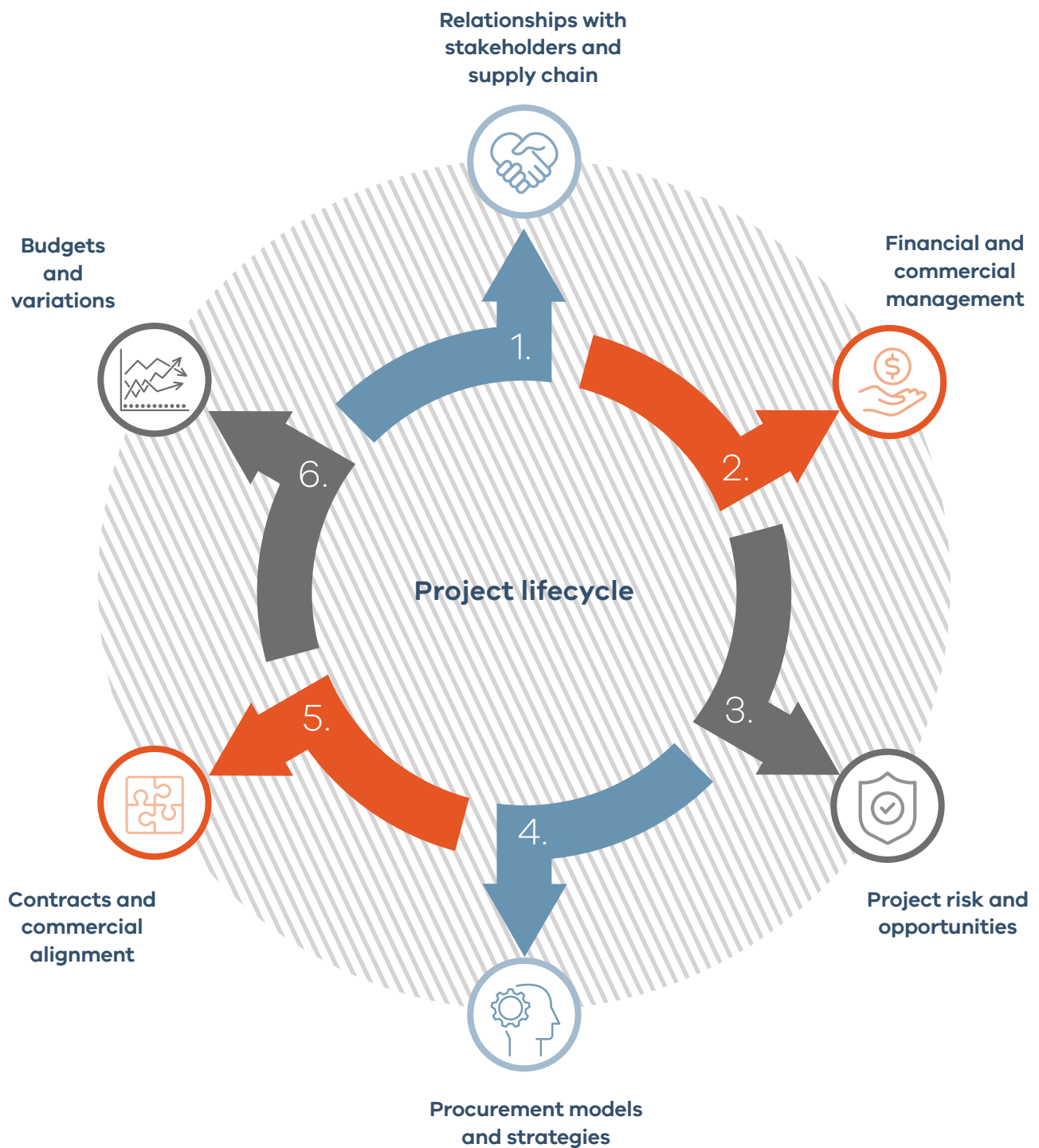
### Budgets and variations

Manage budgets and variations including understanding the triggers for a variation, commercial cost models and negotiating with commercial partners.



# Commercial Capability Framework and the project lifecycle

The different elements of the Commercial Capability Framework reflect the project lifecycle starting with the relationship between the client and suppliers, and concluding with management of budget and variations.



# 1. Relationships with stakeholders and supply chain

Develop strategic relationships and networks with supply chain partners and service providers to understand their commercial, financial and business drivers and navigate project challenges.



Relationships with stakeholders and supply chain					
Foundational		Adept		Advanced	
Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge
<ul style="list-style-type: none"> <li>Identify relevant project stakeholders and use appropriate communication with different stakeholders.</li> <li>Structure exchanges with stakeholders to meet their needs and the needs of the project team.</li> <li>Use procurement processes to produce positive social outcomes in addition to the delivery of efficient goods, services and works.</li> <li>Monitor the supply chain's capacity to deliver project outcomes and meet the needs of stakeholders.</li> </ul>	<p><b>Some experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Project planning and project delivery.</li> <li>Experience dealing with external private consultants from a government perspective.</li> <li>Evaluating tenders against set evaluation criteria.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Value for money.</li> <li>Accountability.</li> <li>Current State and National economic climate and trends.</li> <li>Supply chain dynamics and its impact on stakeholders, accountability and delivering value.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehend how to nurture network contacts into mutually beneficial business relationships with our supply chain and key stakeholders.</li> <li>Use procurement processes to produce positive social outcomes in addition to the delivery of efficient goods, services and works.</li> <li>Develop effective supplier relationship strategies to improve quality outcomes and value.</li> <li>Represent the interests and requirements of a project / team to senior government and private sector stakeholders.</li> <li>Communicate project risk perspectives to a range of stakeholders.</li> </ul>	<p><b>Extensive experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Project management and project delivery.</li> <li>Communicating and engaging with stakeholders.</li> <li>Debriefing tenderers.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Value for money from a range of stakeholder perspectives.</li> <li>Current State and National economic climate and trends.</li> <li>Appropriate response timelines for stakeholders in procurement and project management.</li> <li>Dispute avoidance strategies and resolution options.</li> <li>Applying value for money thinking throughout the project lifecycle.</li> </ul>	<ul style="list-style-type: none"> <li>Identify key political, economic and social drivers that will shape the operating environment.</li> <li>Develop network contacts into mutually beneficial business relationships with our supply chain and key stakeholders.</li> <li>Identify and assess new market opportunities and gaps in the market.</li> <li>Understand how to trial new services or approaches and quickly assess the potential.</li> <li>Understand market conditions and work to support local industry and our supply chain.</li> <li>Communicate to the supply chain through briefings and regular events and activities to give confidence and certainty in our approach to the market.</li> <li>Communicate project risk perspectives to internal and external stakeholders.</li> </ul>	<p><b>Experience leading the following activities:</b></p> <ul style="list-style-type: none"> <li>Managing issues and communication between contractors and sub-contractor parties.</li> <li>Preparing and administering probity plans.</li> <li>Debriefing tenderers.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Board strategy and organisational level strategic outcomes.</li> <li>Value for money from all relevant stakeholder perspectives.</li> <li>Accountability at an executive level for overall project delivery outcomes.</li> <li>Current State and National economic climate and trends.</li> <li>Applying value for money thinking with appropriate regard to public interest, safety, industry inclusion and other government objectives throughout the project lifecycle.</li> </ul>

**Victorian Leadership Capability Framework**, specifically:

- » **Foundational:** Personal attributes: responsiveness, integrity, impartiality, accountability, respect and leadership.
- » **Adept and advanced:** Collaborate at all levels, foster talent and build capability and champion diversity and equality and effectively manage difficult situations. Personal attributes: Responsiveness, integrity, impartiality, accountability, respect and leadership.
- » **Required at all levels:** Knowledge of the Victorian Government Purchasing Board Guidelines.



## 2. Financial and commercial management

Understand key elements of financial and commercial management with a view to creating, driving and obtaining value for money.



Financial and commercial management					
Foundational		Adept		Advanced	
Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge
<ul style="list-style-type: none"> <li>Understand and protect the agency's commercial position.</li> <li>Understand the Victorian Government budget process, cycle and preparation.</li> <li>Identify project steps where financial approvals are required.</li> <li>Develop and monitor Key Performance Indicators and Key Result Areas.</li> </ul>	<p><b>Some experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Project management.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>State Government budget process and cycle.</li> <li>Value for Money outcomes in project management.</li> <li>How to monitor and benchmark suppliers against specifications and performance requirements.</li> <li>Commercial performance regimes required to deliver project outcomes.</li> <li>Risk allocation early and up-front during procurement but also through project award and mobilisation.</li> </ul>	<ul style="list-style-type: none"> <li>Understand implications and benefits of financial options, including impact on state net debt and net operating balance.</li> <li>Understand the key elements of commercial financial management with a view to creating and obtaining value for money.</li> <li>Design strategy to enable value for money outcomes in project management.</li> <li>Understand and protect the agency's commercial position with stakeholders and service providers.</li> <li>Provide analysis and appropriate recommendations regarding the commercial and legal issues met during project development and delivery.</li> </ul>	<p><b>Extensive experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Project management.</li> <li>Business case development.</li> <li>Using project management software and reporting tools.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>State and national economic climate and trends.</li> <li>State Government budget process and cycle.</li> <li>How to monitor and benchmark suppliers against specifications and performance requirements.</li> <li>Risk allocation to ensure sustainability for the supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a "whole of Government view" to understanding implications and benefits of all of our financial options, including impact on State net debt and net operating balance.</li> <li>Understand the key elements of commercial financial management with a view to creating and obtaining value for money.</li> <li>Determine a project's debt-carrying capacity and equity requirements and then assess the appropriate funding solutions.</li> <li>Manage the broader implications and flow-on effects of decisions related to project scope and expenditure, including across agency and across Government.</li> <li>Understand and protect agency's commercial position with stakeholders and service providers.</li> <li>Demonstrate value for money outcomes in a robust manner.</li> </ul>	<p><b>Experience leading the following activities:</b></p> <ul style="list-style-type: none"> <li>Calculating benefit/cost ratios.</li> <li>Business case development aligned with organisational strategy.</li> <li>Analysing project management and reporting to review a program of works against contract and financial requirements.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>State Government budget process and cycle.</li> <li>Scalability and implications for major projects.</li> <li>Alternative funding and financial models and how they drive the organisation.</li> <li>State and national outlook for both public and private infrastructure pipeline and major project development in Australia.</li> </ul>

**Victorian Leadership Capability Framework, specifically:**

- » **All levels:** Drive organisational and system performance, adopt a continuous improvement approach.
- » **Business enablers:** Finance, technology, procurement, contract management and project management.
- » **Required at all levels:** Knowledge of the Victorian Government Purchasing Board Guidelines.

### 3. Project risk and opportunities

Establish a consistent understanding of project risk, risk allocation and the balance between managing risk and delivering high-quality commercial outcomes.



Managing project risk and opportunities					
Foundational		Adept		Advanced	
Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge
<ul style="list-style-type: none"> <li>Understand own personal risk taking/aversion profile and reflect on how this can affect work-related decision making.</li> <li>Understand the right level of risk to carry and transfer, to suit the current environment.</li> <li>Contribute to commercial benefits of future projects through assessing and sharing all available information and 'lessons learned'.</li> <li>Identify probity risks and conflicts of interest.</li> <li>Understand risks associated with gathering commercial data and managing its use.</li> </ul>	<ul style="list-style-type: none"> <li>Some experience in the following activities: <ul style="list-style-type: none"> <li>Risk assessment.</li> <li>Project management.</li> </ul> </li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Default risk provisions.</li> <li>The Project Development and Construction Management Act, Ministerial Directions and Instructions for Public Construction.</li> <li>What constitutes probity risk and how to manage probity risk throughout project management lifecycle.</li> <li>Risks associated with unclear project responsibility and communication lines.</li> </ul>	<ul style="list-style-type: none"> <li>Apply best practice risk management to understand uncertainty, improve decision making and support an agile organisation.</li> <li>Develop an understanding of risk quantification as a way to manage risk contingencies for both schedule and budget aspects of a project.</li> <li>Conduct commercial analysis of risk impacts and outcomes.</li> <li>Understand how to integrate project, procurement and contract risk management practices to control commercial risk exposure.</li> <li>Understand commercial and legal risk and issues management in the context of a project delivery environment.</li> </ul>	<p><b>Extensive experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Multi-criteria Assessment.</li> <li>Project management and delivery.</li> <li>Business case preparation.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Default risk positions and negotiable variance including model clauses.</li> <li>Probity risks and probity management throughout procurement, the tender process and project management lifecycle.</li> <li>Risk management principles and mitigation strategies.</li> </ul>	<ul style="list-style-type: none"> <li>Apply best practice risk management to understand uncertainty, improve decision making and support an agile organisation.</li> <li>Use risk quantification to manage risk contingencies for both schedule and budget aspects of a project.</li> <li>Conduct commercial analysis of risk impacts and outcomes.</li> <li>Understand how to integrate project, procurement and contract risk management practices to control commercial risk exposure.</li> <li>Use probity advice as a project management enabler to optimise project outcomes.</li> </ul>	<p><b>Experience leading the following activities:</b></p> <ul style="list-style-type: none"> <li>Multi-criteria Assessment.</li> <li>Project management and delivery.</li> <li>Business Case preparation.</li> <li>Identifying and allocating project risks to the most appropriate project stakeholders.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Default risk positions and negotiable variance including model clauses.</li> <li>Probity risks and probity management throughout procurement, the tender process and project management lifecycle.</li> <li>Risk management principles and mitigation strategies.</li> </ul>

**Victorian Leadership Capability Framework**, specifically:

- » **Foundational:** Drive organisational and system performance, adopt a continuous improvement approach.
- » **Adept and advanced:** Drive organisational and system performance, adopt a continuous improvement approach, foster talent and capability and collaborate at all levels.
- » **Required at all levels:** Knowledge of the Victorian Government Purchasing Board Guidelines.



## 4. Procurement models and strategies

Understand different procurement models and how they drive contractor behaviour, delivery strategies, commercial requirements and outcomes.



Procurement models and strategies					
Foundational		Adept		Advanced	
Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge
<ul style="list-style-type: none"> <li>Identify commercially focused procurement approaches and strategies.</li> <li>Manage project timelines impacted by the use of various procurement models.</li> <li>Coordinate Expressions of Interest and request for quotes or tenders in procurement.</li> <li>Implement procurement policy objectives in all sourcing projects and tenders.</li> </ul>	<p><b>Some experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Procurement planning.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>The basic procurement models and their benefits.</li> <li>Construction supplier register.</li> <li>The differences in limited, select and open tenders.</li> <li>The roles of forward notices and open notices for tenders.</li> <li>Relevant procurement legislation: The Social Procurement Framework and Local Jobs First policy.</li> </ul>	<ul style="list-style-type: none"> <li>Understand alternative approaches to tendering which result in contracts producing greatest value for money outcomes, not just lowest price.</li> <li>Understand the delivery models appropriate for major projects.</li> <li>Apply value for money thinking throughout the planning, procurement and project management process.</li> <li>Understand the market and how it operates to guide procurement model selection.</li> <li>Analyse the benefits and disadvantages of each procurement model in various economic circumstances.</li> <li>Understand the appropriate response time frames using different procurement models.</li> <li>Manage expressions of interest and request for quotes or tenders in procurement.</li> </ul>	<p><b>Extensive experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Business case preparation.</li> <li>Procurement model selection for major projects.</li> <li>Preparing and administering probity plans.</li> <li>Tender evaluation on major projects.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>The range of procurement models and their benefits</li> <li>International Free Trade Agreements.</li> <li>How to use forward notices and open notices in limited, select and open tenders to achieve optimal project outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Select the most appropriate delivery model for major projects.</li> <li>Understand alternative approaches to tendering which result in contracts producing value for money outcomes, not just lowest price.</li> <li>Apply value for money thinking throughout the planning, procurement and project management process.</li> <li>Allocate sufficient weighting to social and safety cost benefit criteria in evaluation.</li> <li>Understand the market and how it operates to guide procurement model selection.</li> <li>Understand the cost and risk exposure of different procurement models and how to adjust the approach to manage these factors.</li> </ul>	<p><b>Experience leading the following activities:</b></p> <ul style="list-style-type: none"> <li>Business case preparation.</li> <li>Procurement model selection for major projects.</li> <li>Preparing and administering probity plans.</li> <li>Multi-criteria Assessment.</li> <li>Tender evaluation on complex large-scale projects.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>The range of procurement models available and their benefits, weaknesses and suitability for different projects.</li> <li>International Free Trade Agreements.</li> <li>Value for money thinking throughout the planning, procurement and project management process giving sufficient weighting to cost benefit criteria.</li> </ul>

**Victorian Leadership Capability Framework, specifically:**

- » **All levels:** Drive organisational and system performance, adopt a continuous improvement approach.
- » **Business enablers:** Finance, technology, procurement, contract management and project management.
- » **Required at all levels:** Knowledge of the Victorian Government Purchasing Board Guidelines.

## 5. Contracts and commercial alignment

Manage contracts to identify opportunities for innovation and value creation in the contractual relationship and to meet organisational objectives.



Understanding contracts and commercial alignment					
Foundational		Adept		Advanced	
Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge
<ul style="list-style-type: none"> <li>Understand contracts to identify opportunities to achieve innovation in the contractual relationship.</li> <li>Understand the tendering and procurement process and how they drive contractor behaviours and commercial requirements.</li> <li>Understand the Social Procurement Framework and Local Jobs First policy.</li> <li>Apply general contract conditions in the supply of goods and services.</li> <li>Assess project contracts, associated terms, conditions, obligations and amendments.</li> </ul>	<p><b>Some experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Procurement planning and preparing a tender.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Standard forms of contract in use in Victorian Government.</li> <li>Non-standard forms of contract used in Victorian Government or elsewhere.</li> <li>Prequalification systems for works and other services.</li> <li>Supplier performance management and supplier performance reporting.</li> <li>The Project Development and Construction Management Act and Ministerial Directions and Instructions for Public Construction.</li> </ul>	<ul style="list-style-type: none"> <li>Understand emerging contracting models beyond legal requirements to identify opportunities to tap into innovation in the contractual relationship.</li> <li>Understand the major sources of contractual commercial concern including unclear responsibility and communication lines.</li> <li>Understand and apply commercial negotiation techniques.</li> <li>Prepare tender documents, evaluate proposals, negotiate terms, award major construction contracts and other significant procurement packages.</li> <li>Design opportunities to incentivise achieving contract delivery benchmarks and continuous performance improvement.</li> </ul>	<p><b>Extensive experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Commercial negotiation.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Standard forms of contract in use in Victorian Government.</li> <li>Non-standard forms of contract used in Victorian Government or elsewhere.</li> <li>Request Conditions and General Conditions of Contract for Supply of Goods &amp; Services.</li> <li>How prequalification systems for works and other services operate from buyer and supplier perspectives.</li> </ul>	<ul style="list-style-type: none"> <li>Understand emerging contracting models and how they could be applied.</li> <li>Understand how to evaluate large tenders and participate in interactive tender processes to maximise value for money outcomes from the supply chain.</li> <li>Measure and record the realisation of benefits achieved as a result of contract performance management regime or project change controls.</li> <li>Understand and apply commercial negotiation techniques.</li> <li>Implement the concept of value for money from business case to post completion evaluation.</li> <li>Manage commercial and legal issues in complex projects to achieve desired project outcomes.</li> </ul>	<p><b>Experience leading the following activities:</b></p> <ul style="list-style-type: none"> <li>Commercial negotiation.</li> <li>Tender evaluation on large projects.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Standard forms of contract in use in Victorian Government.</li> <li>Non-standard forms of contract used in Victorian Government or elsewhere.</li> <li>Best practice selection from prequalification systems for works and other services.</li> <li>Commercial, legal and contractual issues at all stages of the construction project life cycle including probity requirements.</li> <li>The Project Development and Construction Management Act and Ministerial Directions and Instructions for Public Construction.</li> </ul>

**Victorian Leadership Capability Framework, specifically:**

- » **All levels:** Drive organisational and system performance, adopt a continuous improvement approach.
- » **Business enablers:** Finance, technology, procurement, contract management and project management.
- » **Required at all levels:** Knowledge of the Victorian Government Purchasing Board Guidelines.



## 6. Budgets and variations

Manage budgets and variations including understanding the triggers for a variation, commercial cost models and negotiating with commercial partners.



Understanding budgets and variations					
Foundational		Adept		Advanced	
Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge	Behaviours that demonstrate commercial capability	Underpinning experience and knowledge
<ul style="list-style-type: none"> <li>Manage budgets and variations in a fair and reasonable way.</li> <li>Implement cost management strategies to better control the overall budget of the project and maximise value.</li> <li>Undertake regular reporting on budget spend, forecast cost, cost to complete and other key project reporting activities.</li> </ul>	<p><b>Some experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Preparing budget bids and submissions.</li> <li>Managing a budget.</li> <li>Managing a variation to contract.</li> <li>Contract close out &amp; finalisation of performance reporting.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Operating budget management.</li> <li>Value for money in budget and throughout the procurement in each stage of project management.</li> <li>Contingency control.</li> </ul>	<ul style="list-style-type: none"> <li>Manage budgets and variations including understanding the triggers for a variation, negotiating with commercial partners, and applying lessons learnt back into the organisation.</li> <li>Identify and highlight upfront any issues that may decrease the ability of the service provider to fulfill requirements in budget.</li> <li>Implement and adapt cost management strategies to better control the overall budget of the project and maximise value.</li> <li>Manage the regular reporting on forecast cost, cost to complete and other key project reporting activities.</li> </ul>	<p><b>Extensive experience in the following activities:</b></p> <ul style="list-style-type: none"> <li>Designing strategy for and preparing budget bids.</li> <li>Managing complex project budgets and preparing a budget submission.</li> <li>Managing and negotiating variations to a contract.</li> <li>Contributing to project cost estimates.</li> <li>Contract close out &amp; finalisation of performance reporting.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Operating budget management in accordance with financial plan.</li> <li>Contingency control and assessing contingency release.</li> </ul>	<ul style="list-style-type: none"> <li>Manage budgets and variations including the triggers for a variation, negotiation with commercial partners, and applying lessons learnt back into the organisation.</li> <li>Implement and adapt cost management strategies to better control the overall budget of the project and maximise value.</li> <li>Follow best practice variations management in communication with the service provider.</li> </ul>	<p><b>Experience leading the following activities:</b></p> <ul style="list-style-type: none"> <li>Designing strategy and preparing budget bids.</li> <li>Managing complex project budgets and preparing comprehensive budget submissions.</li> <li>Managing and negotiating variations to a contract.</li> <li>Forecasting project cost estimates at various stages of completion.</li> <li>Contract close out &amp; finalisation of performance reporting.</li> </ul> <p><b>Knowledge of:</b></p> <ul style="list-style-type: none"> <li>Manage relationships with service providers involved in delivery projects in a way that builds trust, resulting in less disputes and fewer variations.</li> <li>Productivity and delivery dynamics, reconciling earned value and cost of work completed that goes into project cost forecasting.</li> <li>Contingency control and assessing contingency release.</li> </ul>

**Victorian Leadership Capability Framework, specifically:**

- » **All levels:** Drive organisational and system performance, adopt a continuous improvement approach.
- » **Business enablers:** Finance, technology, procurement, contract management and project management.
- » **Required at all levels:** Knowledge of the Victorian Government Purchasing Board Guidelines.

# References

The following sources are referred to in the Commercial Capability Framework.

## **Victorian Government Purchasing Board Guidelines and strategies**

[www.procurement.vic.gov.au/Buyers/Policies-Guides-and-Tools](http://www.procurement.vic.gov.au/Buyers/Policies-Guides-and-Tools)

## **Victorian Leadership Capability Framework**

[vpvc.vic.gov.au/leadership-academy/leadership-capability-framework/](http://vpvc.vic.gov.au/leadership-academy/leadership-capability-framework/)

## **Ministerial Directions and Instructions for Public Construction**

[www.dtf.vic.gov.au/public-construction-policy-and-resources/legislation-policy-and-public-construction](http://www.dtf.vic.gov.au/public-construction-policy-and-resources/legislation-policy-and-public-construction)

## **Construction Supplier Register**

[www.dtf.vic.gov.au/infrastructure-investment/construction-supplier-register](http://www.dtf.vic.gov.au/infrastructure-investment/construction-supplier-register)

## **Reforming Public Construction**

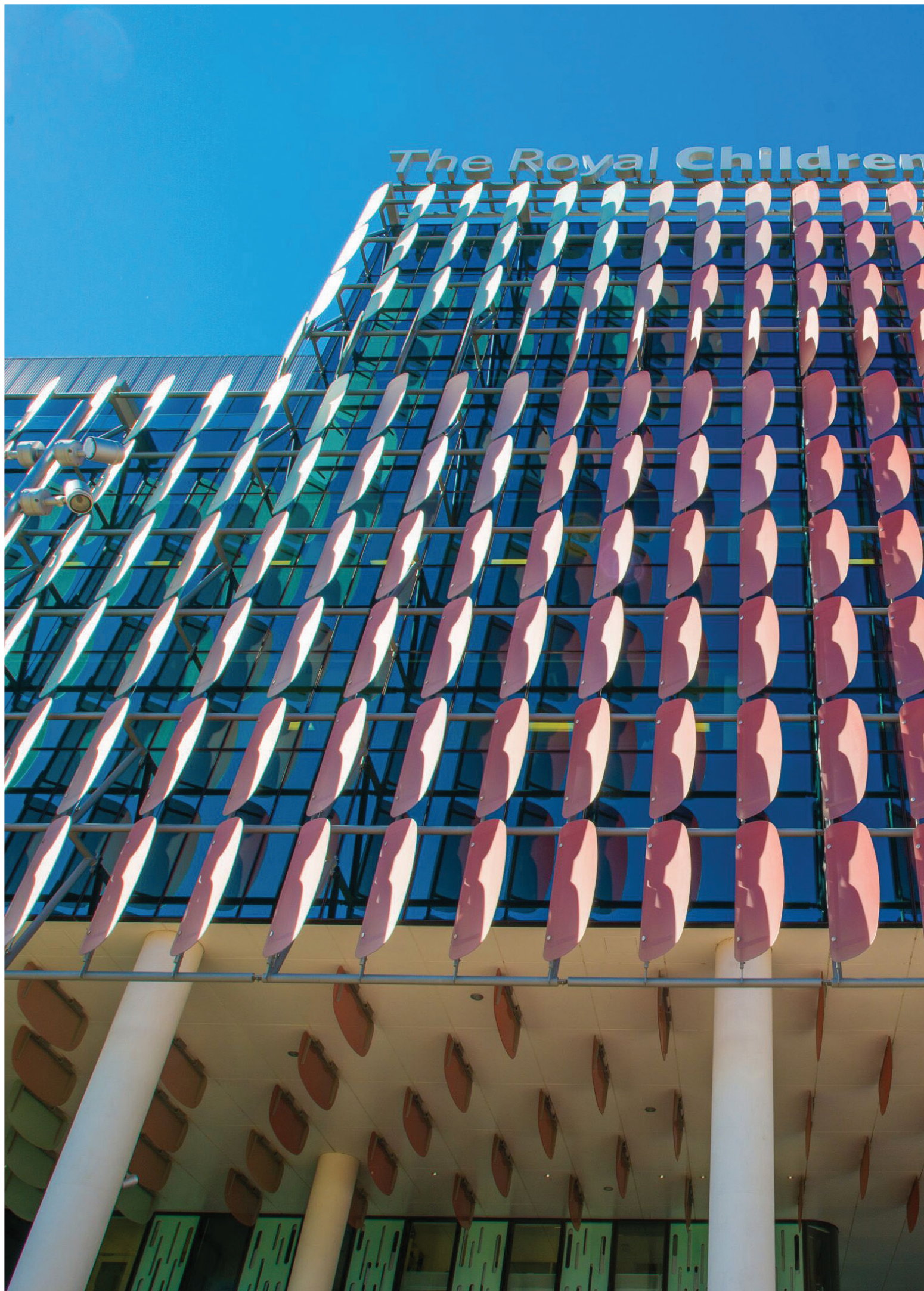
[www.dtf.vic.gov.au/public-construction-policy-and-resources/reforming-public-construction](http://www.dtf.vic.gov.au/public-construction-policy-and-resources/reforming-public-construction)













Levy's Hospital

