



# VGPB

2013  
2014

VICTORIAN GOVERNMENT  
PURCHASING BOARD

ACHIEVING  
EXCELLENCE IN  
GOVERNMENT  
PROCUREMENT

## ANNUAL REPORT



---

---

## Victorian Government Purchasing Board Annual Report 2013–14

Victorian Government  
Purchasing Board

Telephone: +61 3 9651 1699  
Email: [vgpb@dtf.vic.gov.au](mailto:vgpb@dtf.vic.gov.au)

Authorised by the  
Victorian Government  
1 Treasury Place  
Melbourne Victoria 3002

Print managed by Finsbury Green

Level 9, 124 Exhibition Street  
Melbourne, Victoria 3000

© Copyright State of Victoria 2014

This book is copyright. No part may  
be reproduced by any process except  
in accordance with the provisions of  
the *Copyright Act 1968*.

ISSN 1444-4097

Published September 2014  
Printed on recycled paper

Designed by Cordial Creative

This document is available  
in PDF and Word format at  
[www.procurement.vic.gov.au](http://www.procurement.vic.gov.au).

---

# CONTENTS

---

As required by section 54M of the *Financial Management Act 1994*, this annual report describes the work and activities of the Victorian Government Purchasing Board from 1 July 2013 to 30 June 2014. This report has information about purchasing activity carried out by the nine Victorian Government departments and Victoria Police.

---

<b>Chair's report</b>	<b>1</b>	<b>Procurement spend in 2013–14</b>	<b>23</b>
Key strategic priorities in 2013–14	2	Overview of procurement spend	24
VGPB projects and initiatives in 2013–14	5	Critical incident procurement approvals	26
Key strategic priorities in 2014–15	7	<b>Procurement planning</b>	<b>27</b>
Changes to the annual report in 2013–14	9	Standing offer agreements	27
Appreciation	10	Strategic procurement plans	31
<b>About the VGPB</b>	<b>11</b>	Procurement activities subject to VGPB oversight	32
Vision	11	<b>Compliance with VGPB supply policies</b>	<b>33</b>
Mission	11	Compliance under the new policy framework	34
Functions	12	Compliance under the former policy framework	36
Powers	12	Compliance in previous years	37
Scope of VGPB policies	13	Complaints	38
Monitoring compliance with VGPB policies	14	<b>Departmental procurement activities</b>	<b>39</b>
Reporting relationship	15	<b>Procurement activity under the former VGPB supply policies</b>	<b>49</b>
VGPB members	16	Overview of one-off supply and variation approvals	50
VGPB annual assessment	18	One-off supply approvals subject to a contestable process	52
<b>Transition to the new procurement framework</b>	<b>19</b>	<b>Links and glossary</b>	<b>53</b>
Good practice	22	Procurement websites	53
		Glossary	54
		Acronyms and abbreviations	58

---

# CONTENTS

---

## Tables and figures

### Tables

<b>Table 1:</b> Offices bound by VGPB policies	13
<b>Table 2:</b> APU accreditation levels, 30 June 2014	14
<b>Table 3:</b> VGPB members in 2013–14	16
<b>Table 4:</b> Departmental transition status and dates	20
<b>Table 5:</b> Departmental transition activities	21
<b>Table 6:</b> Number and value of one-off supply and SEPC approvals by goods and services in 2013–14	24
<b>Table 7:</b> Number and value of one-off supply and SEPC approvals by goods and services and by department in 2013–14	24
<b>Table 8:</b> Critical incident procurement approvals in 2013–14	26
<b>Table 9:</b> Number and estimated potential value of SEPCs approved in 2013–14	28
<b>Table 10:</b> Number and estimated potential value of SPCs approved in 2013–14	30
<b>Table 11:</b> Number and planned estimated value of SPPs in 2013–14	31
<b>Table 12:</b> Number and estimated value of procurement activities subject to VGPB oversight in 2013–14	32
<b>Table 13:</b> Compliance with new VGPB supply policies in 2013–14	34
<b>Table 14:</b> Compliance with former VGPB supply policies in 2013–14	36
<b>Table 15:</b> Compliance with VGPB supply policies from 2002–03 to 2012–13	37

<b>Table 16:</b> Complaints related to procurement activity in 2013–14	38
<b>Table 17:</b> Number and value of one-off supply approvals and variations referred to the VGPB by procurement process in 2013–14	50
<b>Table 18:</b> Number and value of one-off supply approvals referred to the VGPB by goods and services in 2013–14	50
<b>Table 19:</b> Number and value of variations referred to the VGPB by goods and services in 2013–14	51
<b>Table 20:</b> Number and value of one-off supply approvals referred to the VGPB by goods and services and by department in 2013–14	51
<b>Table 21:</b> Number and value of one-off supply approvals referred to the VGPB subject to a contestable process by goods and services	52
<b>Table 22:</b> Reasons for non-contestable process	52

### Figures

<b>Figure 1:</b> VGPB reporting relationship	15
<b>Figure 2:</b> Number of one-off supply and SEPC approvals by goods and services and by department in 2013–14	25
<b>Figure 3:</b> Value of one-off supply and SEPC approvals by goods and services and by department in 2013–14	25

---

# CHAIR'S REPORT

---

**In 2013–14 the Victorian Government Purchasing Board (VGPB) made significant progress in implementing its new supply policy framework. Two departments and Victoria Police are now operating under the new framework and three more departments will transition on 1 July 2014.**

---

Transition is a great opportunity to lift the profile of procurement across government. To successfully transition, departments must embed procurement within their business planning cycles, build their procurement capability and ensure procurement contributes to delivering government objectives. Departments need to better understand their markets with improved upfront engagement including publishing forward procurement activity plans online.

The VGPB continues to adapt to its new role, implementing a framework to meet the responsibilities outlined in the new supply policies. During the past year, the VGPB developed a process for overseeing departments' strategic procurement activities, ensuring departments are applying appropriate levels of governance and capability. In addition, it focused on highlighting opportunities for market competition to improve value-for-money outcomes.

The VGPB's relationship with departments will continue to evolve in 2014–15, supported by a comprehensive ongoing audit program to monitor departmental compliance with VGPB supply policies.

The VGPB also completed several projects related to delivering the Victorian Government's procurement priorities as summarised in the Assistant Treasurer's charter for the VGPB. Projects were developed in collaboration with representatives from business and government to ensure benefits to all stakeholders including reducing red tape and the administrative burden on businesses.

The VGPB is moving towards a new reporting framework that captures departmental compliance with the VGPB's new supply policies and details the outcomes of VGPB oversight of key procurement activities and initiatives. The format for this year's annual report reflects this period of transition, with each department reporting data and activities based on their transition status.

---

# CHAIR'S REPORT

---

## Key strategic priorities in 2013–14

The VGPB continued to work with departments to progress its 2013–14 strategic priorities. These priorities are aligned with the procurement charter which commits the VGPB to ensuring procurement reform delivers:

- better opportunities for suppliers, particularly small businesses, to compete for government business;
  - improved governance and capability; and
  - better value-for-money procurement outcomes.
- 

### Strategic priority 1: Implementing the VGPB's new supply policy framework

In 2012 the VGPB adopted a two-stage review process to assess departmental transition to the new supply policies. By May 2013 the VGPB had completed the first stage, reviewing transition project plans from all departments.

The VGPB began the second stage in 2013–14. This consists of a detailed review of each department's transition plan including its procurement strategy and procurement activity plan. This stage will be completed in 2014–15. Departments that have transitioned are also required to submit an internal audit report to the VGPB as assurance that they satisfy the mandatory requirements to comply with the new supply policies. Transition plans are presented to the VGPB by senior departmental executives including the chief procurement officer (CPO), demonstrating the organisational commitment required to successfully implement reform.

In 2013–14 the VGPB approved six departments for transition to its new supply policies. Two of these departments (Premier and Cabinet, and Treasury and Finance) and Victoria Police began operating under the new policies during the year and three were approved to transition on 1 July 2014 (Education and Early Childhood Development, Health, and Human Services).

The Department of Environment and Primary Industries presented its transition plan to the VGPB in June 2014 and will submit an updated plan in September 2014.

The following departments are scheduled to present their transition plans in early 2014–15:

- Justice;
- Transport, Planning and Local Infrastructure; and
- State Development, Business and Innovation.

VGPB approval comes with a requirement that departments provide regular updates to the VGPB on their procurement activity and, in particular, specific initiatives and projects undertaken to improve procurement capability and outcomes.

The VGPB also reviewed and approved the procurement plan for a new department, Court Services Victoria (CSV) in June 2014. CSV completed substantial planning in relation to its procurement governance framework and processes, positioning it to begin operating under the VGPB's new supply policies from its start date of 1 July 2014.

---

# CHAIR'S REPORT

---

## Strategic priority 2: Ensuring greater access to government procurement opportunities for business

In 2013–14 the VGPB released a suite of market approach and contract templates, consisting of:

- an expression of interest template for multi-stage market approaches;
- an invitation to supply (replacing separate request for quote and request for tender templates); and
- contracts for goods and services procurement.

The new templates aim to significantly reduce the administrative burden on both government buyers and suppliers by providing a standardised baseline that can be adjusted depending on the complexity of the procurement.

The templates underwent extensive consultation with suppliers, departments and the Victorian Government Solicitor's Office. As a result of this process, all stakeholders agreed to remove cross-liability insurance provisions. This will help reduce unnecessary costs for business when competing for government procurement opportunities, as required under the procurement charter.

The VGPB is greatly encouraged by the extent to which departments have adopted the templates, as this increases consistency for suppliers and can reduce time spent preparing responses to invitations to supply goods and services.

The VGPB continues to work on other initiatives that provide greater access to government procurement opportunities. In 2014–15 it will release tools and guidelines to help departments capture feedback from suppliers on the conduct and management of government procurement activities. Departments will use this feedback to improve their market engagement processes to ensure strong market competition and procurement outcomes that deliver better value for money.

One of the requirements for departments that have transitioned to the new supply policies is to publish a procurement activity plan on their website so that suppliers can see upcoming procurement opportunities. The VGPB has set up a central repository on its website ([www.procurement.vic.gov.au](http://www.procurement.vic.gov.au)) with direct links to these plans. The VGPB sends regular email updates to registered suppliers on the progress of departments' transition planning. Suppliers can join the VGPB's mailing list by emailing [vgpb@dtf.vic.gov.au](mailto:vgpb@dtf.vic.gov.au).

---

# CHAIR'S REPORT

---

## Strategic priority 3: Enabling better use of market mechanisms

The VGPB supports the work carried out by the Centre for Market Design, a joint undertaking by the Department of Treasury and Finance, the Commonwealth Treasury and the University of Melbourne. In 2013–14 the Centre established an extensive work program focused on using market-based policy mechanisms to improve procurement outcomes.

The VGPB also approved a number of open state purchase contracts and prequalification registers across a range of goods and services including ICT, security, and marketing services. These procurement arrangements have increased the number of suppliers competing for government procurement opportunities. The VGPB is encouraged by the increase in online procurement tools being used by government, reducing the cost and time for suppliers to compete for government business.

---

## Strategic priority 4: Improving procurement capability across government

In collaboration with the Victorian Public Sector Commission (formerly the State Services Authority), the VGPB released the Victorian Public Service (VPS) procurement capability framework. The framework maps the capabilities recommended for each stage of the procurement cycle from junior VPS staff to senior personnel. Importantly, the framework is aligned with the VPS employment capabilities and behaviours framework to inform position descriptions, recruitment and performance development. The VGPB is encouraged by the extent to which departments have implemented the framework to support their workforce planning and capability development.

In 2013–14 the VGPB also established an online forum for departments to share information about their own procurement training initiatives and programs. The forum helps improve knowledge of the procurement training market across government and increases consistency of departmental procurement training programs.

The CPO forum continues to be well supported by departments and large outer budget agencies, enabling CPOs to discuss key procurement issues, explore opportunities to collaborate on whole of government initiatives, and develop and share information and best practice. The VGPB Chair addressed the forum in February 2014 to discuss the VGPB's agenda, progress to date and priorities for the coming year.

The VGPB continues to be represented on the Australasian Procurement and Construction Council's (APCC) capability development working group. The APCC Leadership Council, comprising state and federal representation, provides an important forum to promote the VGPB's views on key procurement issues including capability development. Victoria is consistently recognised by other jurisdictions for its leadership in modernising government procurement.



---

## CHAIR'S REPORT

---

### VGPB projects and initiatives in 2013–14

In addition to its annual work agenda and strategic priorities, the VGPB led a number of projects and initiatives in 2013–14 to broaden the influence of its procurement reform agenda across government.

Throughout the year, the VGPB focused on establishing collaborative working relationships with key stakeholders.

---

#### Preparing for the VGPB's post-transition role

The new procurement framework alters the relationship between departments and the VGPB, particularly with regard to VGPB oversight of specific procurements that are strategically important to government. The VGPB established a new framework setting out how it will identify and monitor these procurements.

The VGPB will identify procurements for oversight during its regular review of departments' procurement activity plans. Departments can also recommend specific procurements for VGPB oversight.

The VGPB will retain oversight of these procurements throughout the entire procurement process, from planning and specification design through to market engagement and evaluation, and contract management. The VGPB's role is to ensure that departments:

- maintain appropriate levels of governance and capability throughout the process;
- effectively manage any risks; and
- complete thorough market analysis to inform their market engagement strategy.

The VGPB retains oversight of these procurements post contract awarding to ensure a strong governance framework is retained throughout the contract term and that the contract continues to deliver value for money.

This framework was developed in consultation with key stakeholders to ensure it complements and supports—rather than duplicates—existing whole of government review processes, in particular the Department of Treasury and Finance's Gateway Review Process.

---

#### VGPB legislative reform

In late 2013 the VGPB welcomed an important reform to the *Financial Management Act 1994*. Essentially, it gives government greater flexibility to change the scope of entities legally required to comply with VGPB supply policies. This legislative change will ensure that the VGPB retains oversight of procurement activity that is critical to government.

The VGPB appreciates the Assistant Treasurer's strong support for this reform and looks forward to informing the Government's deliberations on which entities should be added to its scope.

The VGPB began talks with VicRoads to bring its procurement of goods and services within the VGPB's scope in 2014–15. The VGPB is greatly encouraged by the positive and collaborative spirit of preliminary discussions with VicRoads.

The process developed in partnership with VicRoads will be used as a model for future engagement with other entities of a similar procurement profile. The extent to which the VGPB expands the number of entities within its scope over the next 12–18 months will be determined by a combination of government direction and its existing annual work agenda and broader responsibilities.

---

## CHAIR'S REPORT

---

### Promoting procurement reform across government

In addition to broadening its legislative scope, the VGPB continued to engage with outer budget entities to promote adoption of its supply policies by entities that are not required by legislation to do so. Of particular significance is the VGPB's successful engagement with the major procurer of goods and services in the hospital sector, Health Purchasing Victoria (HPV). HPV recently released a new policy framework modelled on VGPB supply policies, for adoption across Victoria's health network. HPV's policies will be mandated under the *Health Services Act 1988* for all Victorian public hospitals and health services.

The VGPB Chair met with HPV's Chair, Mr Felix Pintado, and HPV's Chief Executive Officer, Ms Megan Main in November 2013. Both parties agreed to continue to share information on their progress in implementing policies

and fostering improvements in procurement outcomes. HPV is an active participant at the CPO forum and a valuable contributor to regular meetings chaired by the VGPB Secretariat.

The VGPB also attends meetings chaired by the construction policy unit in the Department of Treasury and Finance, providing regular updates on supply policy implementation and development of guidelines and tools that may be relevant to the construction sector.

The VGPB continued to engage with the business community in 2013–14, including presenting to the Small Business Ministerial Council in June 2014. The VGPB provides regular email updates to businesses on departments' transition progress and the release of its new market approach and contract templates. Suppliers can join this mailing list by emailing [vgpb@dtf.vic.gov.au](mailto:vgpb@dtf.vic.gov.au).

---

### Australia and New Zealand Government Procurement Agreement (ANZGPA)

Since 1989, the Australian and New Zealand governments including Australian state and territory governments, have been signatories to the ANZGPA, which requires all signatories to commit to providing equal treatment for each other's suppliers and promoting opportunities for suppliers to compete for government business that delivers value for money.

The ANZGPA is subject to review once every five years. The Department of Treasury and Finance represented

Victoria and the VGPB in the inter-jurisdictional review. The Department was particularly influential in re-drafting the ANZGPA definition of 'value for money' which now aligns with the VGPB's definition.

The VGPB appreciated the support of the Assistant Treasurer who signed Victoria's commitment to the new agreement in January 2014. The agreement is expected to come into effect in 2014–15.

---

### New procurement guidelines

In 2013–14 the VGPB continued to broaden its suite of guidelines and tools that underpin its supply policies. Guidelines and tools cover the entire procurement cycle and reinforce good procurement practice. Of particular importance was the release of the VGPB's *Managing contract price reviews* guideline. This guideline is designed to help government select and apply an appropriate price indicator at relevant times

during goods and services contracts, with the aim of driving value for money throughout the contract term.

The VGPB also released a suite of guidelines to support the release of its new market approach and contract templates, including applying insurance provisions. These guidelines will help departments apply the new templates correctly and, where possible, reduce the administrative burden on business.

---

## CHAIR'S REPORT

---

### Key strategic priorities in 2014–15

The VGPB has outlined a work agenda for the coming year focused on consolidating the VGPB's procurement reform within departments and broadening the influence of the reform across government. The VGPB will also develop a framework to monitor and measure the performance of transitioned departments in delivering improved procurement outcomes as a result of the reform.

In addition, the VGPB will continue to enhance its suite of good practice guidelines to build government's procurement capability and understanding and use of market mechanisms.

---

#### Strategic priority 1: Embedding procurement reform

The VGPB will complete its review of departments' transition plans within the next few months and expects all departments to have transitioned by the end of 2014. The VGPB will continue to regularly review the progress and performance of departments that transitioned

in 2013–14 while also overseeing specific strategic procurement activities (see *Procurement activities subject to VGPB oversight* later in this report).

---

#### Strategic priority 2: Measuring the benefits of procurement reform

Once all departments have transitioned, the VGPB will continue to fulfil its key legislative function of monitoring compliance with VGPB supply policies.

The VGPB's new annual reporting framework is a key component in monitoring compliance. Under the framework, the accountable officer, on advice from the Chair of each department's internal procurement unit, must attest that the department complies with the VGPB's supply policies, listing specific initiatives and activities undertaken to ensure compliance.

The VGPB will develop a comprehensive multi-year audit program to complement its annual reporting framework. The audit program is expected to include two key elements: departments' compliance with the VGPB's mandatory policy requirements and the outcomes and benefits of procurement reform.

The VGPB will focus on measuring the extent to which departments are achieving savings, efficiencies and better service delivery as a result of improved supplier engagement, increased market engagement and greater rigour in driving value from contracts. The VGPB will develop a series of one, three and five-year benchmarks, targets and projected outcomes to measure progress over the medium to long term.

---

## CHAIR'S REPORT

---

### Strategic priority 3: Broadening the VGPB's influence

In 2014–15 the VGPB will continue to work with VicRoads to bring its procurement of goods and services under the scope of VGPB policies. VicRoads will submit a procurement strategy and transition plan for review to the VGPB. The process developed in partnership with VicRoads will be used as a model for future engagement with other entities of a similar procurement profile.

The VGPB will continue to engage regularly with key stakeholders across the Victorian Government and interstate jurisdictions, building on positive outcomes from its engagement in 2013–14. The VGPB recognises the importance of consulting with stakeholders to promote its procurement reform agenda and also to learn from other stakeholders' experiences in implementing their procurement reforms.

---

### Strategic priority 4: Understanding the market

The VGPB will finalise guidelines to enhance the supplier engagement process across departments. The guidelines aim to improve how government engages with suppliers and how departments use supplier feedback to advance their procurement processes. They will provide good practice advice to enhance existing tender debriefing and contract management communications, enabling suppliers to provide more general feedback on government's engagement with the market.

The VGPB will develop new guidelines to help departments better understand the market, including category management and the supply chain. These guidelines will complement a more sophisticated approach to procurement by departments as a result of transition to the VGPB's new supply policies.

The VGPB will also explore new opportunities to encourage greater collaboration and engagement between departments, including sharing market intelligence.

### Changes to the annual report in 2013–14

The VGPB has maintained a consistent set of annual reporting requirements over recent years to provide an overview of trends in government procurement activity. With the release of the new supply policies, the VGPB has established new annual reporting requirements that assess departmental performance against the new policy objectives.

The *VGPB Annual Report 2013–14* is a transitional report that reflects the new reporting requirements while also including data from departments that have not yet transitioned to the new supply policies.

In previous years departments provided a breakdown of procurement approvals by goods, services and consultancies. From 1 July 2013, departments must include expenditure on consultancies in their own annual reports. As a result, the VGPB no longer includes a breakdown of consultancy data.

Previous reports also included data from the State Services Authority, now the Victorian Public Sector Commission (VPSC). The VPSC will report through its portfolio department, the Department of Premier and Cabinet.

The VGPB expects all departments to transition to the new supply policies during 2014–15. The *VGPB Annual Report 2014–15* will be streamlined further and will detail the VGPB's role in monitoring departments' compliance with its new supply policies, oversight of specific procurement activities and annual review of departments' procurement activity plans.

---

## CHAIR'S REPORT

---

### Appreciation

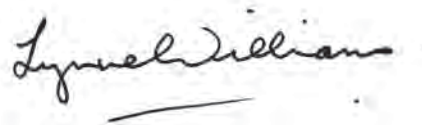
On behalf of the VGPB, I would like to sincerely thank the Hon. Gordon Rich-Phillips MLC, Assistant Treasurer, for his support of the VGPB as it worked with departments during transition to the new supply policies. The VGPB appreciates the Assistant Treasurer's support for amendments to the *Financial Management Act 1994* which, going forward, will reinforce the VGPB's role in monitoring goods and services procurement of strategic value to the State. The VGPB looks forward to continuing to meet with the Assistant Treasurer annually to discuss the VGPB's performance and how the Government's priorities for procurement reforms and outcomes can best be achieved.

I would also like to thank all VGPB members for their support. Following a significant refresh of its membership in 2012, the VGPB quickly established a productive and collegiate working environment. Members have consistently demonstrated a strong commitment to progressing implementation of the VGPB's procurement reforms. Importantly, members have also shown a strong interest in and collaborated on developing the VGPB's longer term agenda.

The VGPB's work this year has again been facilitated and supported by the professional and committed work of the VGPB Secretariat in the Department of Treasury and Finance. Thanks also to all departmental officials who have significantly progressed implementation of procurement reform within their organisations. Finally, the VGPB appreciates the input from businesses through forums and consultations on how to improve the government/business interaction in procurement.

I believe the hard work undertaken by all stakeholders has provided a solid foundation upon which improvements in procurement outcomes can be achieved across government.

I look forward to working with the VGPB's stakeholders in the coming year to consolidate the VGPB's post-transition role and its relationship with departments and providers to realise and consolidate the benefits of procurement reform.



(Dr) Lynne Williams  
Chair, Victorian Government Purchasing Board

---

# ABOUT THE VGPB

---

**The Victorian Government Purchasing Board (VGPB) was established under the *Financial Management Act 1994* (the FMA). The VGPB meets no less than six times per year to develop and approve policies, approve major procurements from departments and discuss procurement policy and practice.**

---

## **Vision**

The VGPB's vision is to provide leadership in government procurement of goods and services to deliver value-for-money outcomes for Victoria.

## **Mission**

The VGPB's mission is to ensure government:

- develops procurement capability;
- delivers value-for-money and fit-for-purpose outcomes;
- minimises risk; and
- enables access to procurement opportunities for all businesses.

---

## ABOUT THE VGPB

---

### Functions

The VGPB has the following functions as defined by section 54B of the FMA:

- a) in relation to the supply of goods and services to departments and specified entities and the management and disposal of goods by departments and specified entities—
  - i. to develop, implement and review policies and practices; and
  - ii. to provide advice, staff training and consultancy services;
- b) to monitor compliance by departments and specified entities with supply policies and Ministerial directions and to report irregularities to the relevant Minister and the Minister;
- c) to foster improvements in the use and application of purchasing systems and electronic trading;
- d) to establish and maintain a comprehensive database of purchasing data of departments and specified entities and supply markets for access by departments and specified entities;
- e) any other functions conferred on the Board by this Part.

---

### Powers

The VGPB has the following powers under section 54C of the FMA:

1. The Board has all the powers necessary to perform its functions.
2. Without limiting subsection (1), the Board may—
  - a) enter into contracts or arrangements on its own behalf, on behalf of the State or on behalf of departments or specified entities;
  - b) call and award tenders and advertise;
  - c) consider and approve requisitions for the purchase of goods and services by departments or specified entities;
  - d) require accountable officers to audit compliance by departments and specified entities with supply policies and Ministerial directions and provide audit reports to the Board;
  - e) require accountable officers to provide information and data relating to the supply of goods and services and the management and disposal of goods;
  - f) exercise any other powers conferred on the Board by this Act or the regulations.

An accountable officer must provide to the Board on request—

- a) audit reports referred to in subsection (2) (d);
- b) information and data referred to in subsection (2) (e).



---

## ABOUT THE VGPB

---

### Scope of VGPB policies

The VGPB's policies apply to all public service bodies as per the definition in section 4(1) of the *Public Administration Act 2004*. This includes:

- government departments;
- administrative offices; and
- the Victorian Public Sector Commission.

Table 1 lists the administrative offices bound by VGPB policies. Administrative offices and the Victorian Public Sector Commission do not report directly to the VGPB, but operate through their portfolio departments. Victoria Police sits within the Department of Justice portfolio but reports to the VGPB separately for reasons of oversight.

---

**Table 1: Offices bound by VGPB policies**

---

#### Offices

---

Commission for Children and Young People

Essential Services Commission

Game Management Authority

Independent Broad-Based Anti-Corruption Commission

Office of Public Prosecutions

Office of the Chief Commissioner of Police (Victoria Police within the Department of Justice portfolio)

Office of the Commissioner for Environmental Sustainability

Office of the Fire Services Levy Monitor

Office of the Freedom of Information Commissioner

Office of the Legal Services Commissioner

Office of the Ombudsman

Office of the Privacy Commissioner

Office of the Road Safety Camera Commissioner

Office of the Victorian Inspectorate

Taxi Services Commission

Victorian Auditor-General's Office

Victorian Commission for Gambling and Liquor Regulation

Victorian Electoral Commission

Victorian Equal Opportunity and Human Rights Commission

Victorian Responsible Gambling Foundation

---

---

## ABOUT THE VGPB

---

### Monitoring compliance with VGPB policies

The VGPB monitors compliance with supply policies through a number of mechanisms:

#### Annual supply reports

Departments complete an annual supply report (ASR) at the end of each financial year for the VGPB. The ASR summarises departmental procurement activity during the year including any instances of non-compliance with

VGPB policies. The ASR continues to be a requirement for departments that have transitioned to the VGPB's new supply policy framework.

#### Accreditation

Departments that have not yet transitioned to the VGPB's new supply policies are subject to the VGPB's accreditation process. Under this process, the VGPB delegates procurement approval authority to a department through the establishment of an accredited purchasing unit (APU) to manage the procurement process in compliance with VGPB supply policies. The accreditation process allows the APU to oversee the procurement process and to note, endorse or approve purchases up to an accreditation level agreed by the

VGPB. Purchases above a department's accreditation level are referred to the VGPB for approval.

The VGPB and APUs assess purchases in line with the requirements of the FMA and VGPB supply policies. The accreditation process no longer exists under the VGPB's new supply policy framework.

Table 2 lists APU accreditation levels for the seven departments that continued to operate under the VGPB's former supply policy framework in 2013–14.

---

**Table 2: APU accreditation levels, 30 June 2014**

Accreditation level	Purchase value limit	Department
<b>Tier 1</b>	Up to \$1 million	<ul style="list-style-type: none"><li>Education and Early Childhood Development</li><li>State Development, Business and Innovation</li></ul>
<b>Tier 2</b>	Up to \$10 million	<ul style="list-style-type: none"><li>Environment and Primary Industries</li><li>Health</li><li>Human Services</li><li>Justice</li><li>Transport, Planning and Local Infrastructure</li></ul>

---

# ABOUT THE VGPB

---

## Reporting requirements under the new supply policies

To transition to the new supply policy framework, departments must demonstrate to the VGPB their capability to meet the policies' mandatory requirements.

Post-transition, departments must report to the VGPB at least once every six months. In these reports, departments are required to submit a revised procurement activity plan and an update on their progress in delivering improvements in procurement capability, governance and procurement outcomes among other things.

When reviewing procurement activity plans, the VGPB identifies specific procurements for ongoing oversight. These procurements are considered by the VGPB to be of strategic importance to the State and are subject to the VGPB's ongoing review at key stages of the procurement process. The VGPB provides recommendations for departments to action based on the outcomes of its review.

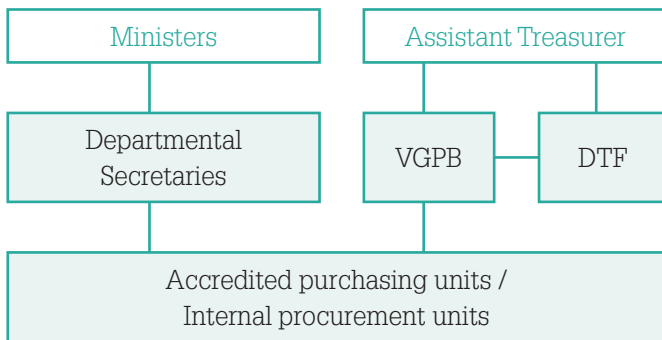
---

## Reporting relationship

The VGPB reports to the Assistant Treasurer. The Department of Treasury and Finance (DTF) provides secretariat and other support to the VGPB and has a direct reporting line to the Assistant Treasurer on procurement and contracting issues. Figure 1 illustrates this relationship.

Under section 54M of the FMA, the VGPB must give the Assistant Treasurer a report of its work and activities for the year ending on 30 June that year. The Assistant Treasurer tables the VGPB's annual report in Parliament.

**Figure 1: VGPB reporting relationship**



## ABOUT THE VGPB

### VGPB members

The VGPB currently has seven members. Six members, including the Chair, are external appointees and one appointee is from a government department. Board members are selected based on experience and expertise in procurement-related matters.

**Table 3: VGPB members in 2013–14**

Title	Name	Background and experience	Meetings attended	Appointed
Chair	Dr Lynne Williams	<p>More than 25 years' experience in the state and federal public sector, including several senior executive roles related to economic policy.</p> <p>Dr Williams' most recent appointment was as Under Secretary at DTF. Dr Williams is currently a board member of the Legal Services Board, Victoria, and a Commissioner on the Victorian Building Authority, and the Essential Services Commission, South Australia.</p>	6 out of 6	4 October 2011
External appointees	Roger Cotton	<p>Chair of Interprac Financial Services Limited.</p> <p>Mr Cotton's most recent appointments were Chief Executive Officer of the Australian Association of Accounting Technicians, Director of the Council of Small Business Organisations of Australia and Chief Executive Officer of the National Institute of Accountants.</p>	5 out of 6	1 August 2012
	Neil Lucas	<p>Extensive experience in governance, strategic and operational management across the public sector, including Chief Executive Officer to the City of Berwick and Administrator of the Christmas Island and Kokos (Keeling Islands). Mr Lucas is currently a board member of Holmesglen Institute and the Emergency Services Telecommunications Authority.</p> <p>Mr Lucas also served as a member of the Victorian Parliament from 1996 to 2002.</p>	6 out of 6	4 October 2011
	Professor Nilss Olekalns	<p>Deputy Dean at the Faculty of Business and Economics and Deputy Chair of the Academic Board at the University of Melbourne.</p> <p>Professor Olekalns' academic areas of expertise include government in the market economy and he regularly participates in research undertaken by DTF.</p> <p>Professor Olekalns has previously held visiting academic appointments at the International Monetary Fund and the Monetary Authority of Singapore.</p>	5 out of 6	1 October 2012

## ABOUT THE VGPB

**Table 3: VGPB members in 2013–14 (cont.)**

Title	Name	Background and experience	Meetings attended	Appointed
External appointees	Craig Rooney	Regional Manager, Porter Davis Homes. Member of the Chartered Institute of Purchasing and Supply Australia. Mr Rooney has held a number of senior procurement management positions at CSR Sugar, Madison Cross Corporate Advisory and Coles Myer.	6 out of 6	1 October 2012
	Randall Straw	Extensive background in technology innovation, policy, planning and implementation with Victorian public sector agencies. Mr Straw was previously Deputy Secretary, Innovation and Technology at the former Department of Business and Innovation. Mr Straw is currently Chair of CenITex and Chair of the Investment Committee at the Department of State Development, Business and Innovation.	6 out of 6	1 October 2009
Government appointees	Marisa De Cicco	Deputy Secretary, Criminal Justice at the Department of Justice. Experience in policy advice and development, procurement and contracting, and formulating strategy and legislation.	6 out of 6	1 October 2003

---

## ABOUT THE VGPB

---

### VGPB annual assessment

As part of its commitment to continuous improvement, the VGPB assesses its performance over the previous year.

The assessment results in 2013–14 show members' confidence that the VGPB is fulfilling its legislative functions, reflected by its strategic priorities and a work agenda that has prioritised departmental transition to the VGPB's new supply policies.

Members uniformly agreed that constructive, cordial relationships have helped the VGPB to work productively and effectively. Members also expressed confidence that the past year has provided a sound foundation for the VGPB to further articulate its role within its new policy framework.

All members noted the VGPB's commitment to timely and transparent communications with its stakeholders, particularly departments. This will continue to be a priority as the VGPB develops and refines its post-transition role in the coming year.

---

# TRANSITION TO THE NEW PROCUREMENT FRAMEWORK

---

**This section provides a summary of departments' transition to the VGPB's new procurement framework. It includes examples of good practice already underway in transitioned departments.**

---

In 2013–14 the VGPB significantly progressed the second stage of its review process to assess departmental transition to the new supply policies. This stage will be completed in 2014–15. Departments are required to

submit a transition plan that includes a procurement strategy and internal audit report to the VGPB as assurance that departments satisfy the mandatory requirements to comply with the new supply policies.

## TRANSITION TO THE NEW PROCUREMENT FRAMEWORK

Two departments and Victoria Police transitioned in 2013–14 with a further three departments approved for transition on 1 July 2014. The remaining four departments will transition by the end of 2014.

Table 4 lists the transition status and date of transition for each department. Table 5 provides an overview of each department's progress in completing the elements required for transition to the new framework.

**Table 4: Departmental transition status and dates**

Transition status	Department	Transition date	Notes
Transitioned	Treasury and Finance (DTF)	1 July 2013	DTF submitted a progress report to the VGPB in January 2014.
	Victoria Police	1 Dec 2013	Victoria Police presented two progress reports to the VGPB in 2013–14.
	Premier and Cabinet (DPC)	1 Jan 2014	DPC will submit a progress report to the VGPB in 2014–15.
Approved for transition	Education and Early Childhood Development (DEECD)	1 July 2014	DEECD will submit a progress report to the VGPB in 2014–15.
	Health (DoH)	1 July 2014	DoH will submit a progress report to the VGPB in 2014–15.
	Human Services (DHS)	1 July 2014	DHS will submit a progress report to the VGPB in 2014–15.
Awaiting approval to transition	Justice (DOJ)	TBC	DOJ is scheduled to submit its procurement plan and strategy in August 2014.
	Environment and Primary Industries (DEPI)	TBC	DEPI will submit an updated procurement plan and strategy in September 2014.
	State Development, Business and Innovation (DSDBI)	TBC	DSDBI is scheduled to submit its procurement plan and strategy in September 2014.
	Transport, Planning and Local Infrastructure (DTPLI)	TBC	DTPLI is scheduled to submit its procurement plan and strategy in September 2014.



# TRANSITION TO THE NEW PROCUREMENT FRAMEWORK

**Table 5: Departmental transition activities**

	Transitioned			Approved for transition			Awaiting approval to transition			
	DTF	Victoria Police	DPC	DEECD	DHS	DoH	DOJ	DEPI	DSDBI	DTPLI
Transition project plan	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Change management plan <sup>1</sup>	✓	✓	✓	✓	✓	✓	✓	UD <sup>1</sup>	UD <sup>1</sup>	UD <sup>1</sup>
Governance framework developed	✓	✓	✓	✓	✓	✓	✓	✓	✓	UD
▪ CPO appointed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
▪ IPU established	✓	✓	✓	✓	✓	✓	UD	UD	UD	UD
Procurement strategy	✓	✓	✓	✓	✓	✓	✓	✓	UD	✓
▪ Procurement activity plan	✓	✓	✓	✓	✓	✓	✓	✓	UD	UD
▪ Supplier engagement plan	✓	✓	✓	✓	✓	✓	✓	✓	UD	UD
▪ Capability development plan	✓	✓	✓	✓	✓	✓	✓	✓	UD	UD
▪ Contract management planning strategy	✓	✓	✓	✓	✓	✓	✓	✓	UD	UD
▪ Complaints management plan	✓	✓	✓	✓	✓	✓	✓	✓	UD	UD
AO and internal audit endorsement	✓	✓	✓	✓	✓	✓	UD	UD <sup>2</sup>	UD	UD
Request for transition submitted to VGPB	✓	✓	✓	✓	✓	✓	UD	✓	UD	UD
VGPB approval to transition	✓	✓	✓	✓	✓	✓	UD	UD	UD	UD

UD = Under development

1. All departments submitted change management plans in 2012–13 as part of the first stage of the transition review process. DEPI, DSDBI and DTPLI needed to adapt their plans in response to machinery of government changes.

2. DEPI will seek internal audit endorsement in the first quarter of 2014–15.

---

# TRANSITION TO THE NEW PROCUREMENT FRAMEWORK

---

## Good practice

When reviewing departments' preparations for transition, the VGPB has observed several examples of procurement reform providing an opportunity to improve internal capability and enhance understanding of the market

and relationships with suppliers. The VGPB notes the following initiatives already underway and anticipates more departmental activities in the coming year as departments' procurement strategies mature.

---

### Victoria Police

The VGPB is particularly impressed with the quality of information shared with the market by Victoria Police. Victoria Police regularly updates its forward procurement activity plan, detailing the scope of goods and services

scheduled for purchase. The plan includes contact details for the relevant category manager, providing ready access for suppliers.

---

### Department of Health/Human Services

In establishing a joint procurement governance model, DoH and DHS have developed a procurement capability development plan that fully captures the intent of the VGPB's complexity and capability policy, that is 'procurement capability is about matching the person(s), resources, systems and processes to the requirements of a procurement activity'.

The departments will develop several projects in the next year based on the results of their comprehensive capability assessment, for example:

- strengthening their category and contract management frameworks to improve understanding of the market;
- identifying opportunities for closer collaboration with suppliers; and
- developing performance metrics to measure improvements in procurement outcomes.

---

### Department of Education and Early Childhood Development

DEECD's transition is underpinned by an innovative internal communications strategy that ensures staff are aware of the procurement reform while also understanding the benefits and impacts. This strategy is supported by a simple online tool for all staff to access when procuring goods and services.

DEECD also recognises the importance of the accountable officer's commitment to driving improvements in procurement outcomes. The VGPB was particularly impressed by the DEECD Secretary's participation in the communications strategy. Such high level participation sends a strong message to both staff and suppliers that procurement is an important input to achieving government's objectives.

---

# PROCUREMENT SPEND IN 2013–14

---

**This section provides an overview of contracts approved in the 2013–14 financial year for one-off supply and sole entity purchase contracts (SEPC).**

---

One-off supply and SEPC approvals relate to the approval of the procurement process, that is, to enter into a contractual arrangement with the selected supplier or suppliers. Actual expenditure occurs later and may occur over a number of financial years, depending on the nature of the contract. More information on SEPCs can be found in the next section on procurement planning.

The data comes from all nine departments and Victoria Police regardless of transition status. It includes one-off supply contracts and SEPCs valued above \$100 000.

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. This applies to all figures in the annual report.

## PROCUREMENT SPEND IN 2013–14

### Overview of procurement spend

In 2013–14 there were 602 procurement process approvals valued at \$828.7 million. These were made up of 573 one-off supply approvals valued at \$735.5 million and 29 SEPCs valued at \$93.2 million (Table 6).

**Table 6: Number and value of one-off supply and SEPC approvals by goods and services in 2013–14**

	One-off supply		SEPC	
	Number	Value	Number	Value
Goods	65	\$120.5M	13	\$39.0M
Services	508	\$615.0M	16	\$54.2M
<b>Total</b>	<b>573</b>	<b>\$735.5M</b>	<b>29</b>	<b>\$93.2M</b>

### Procurement spend by department

There were significantly more services than goods procured in 2013–14 with 524 services valued at \$669.3 million and 78 goods valued at \$159.5 million.

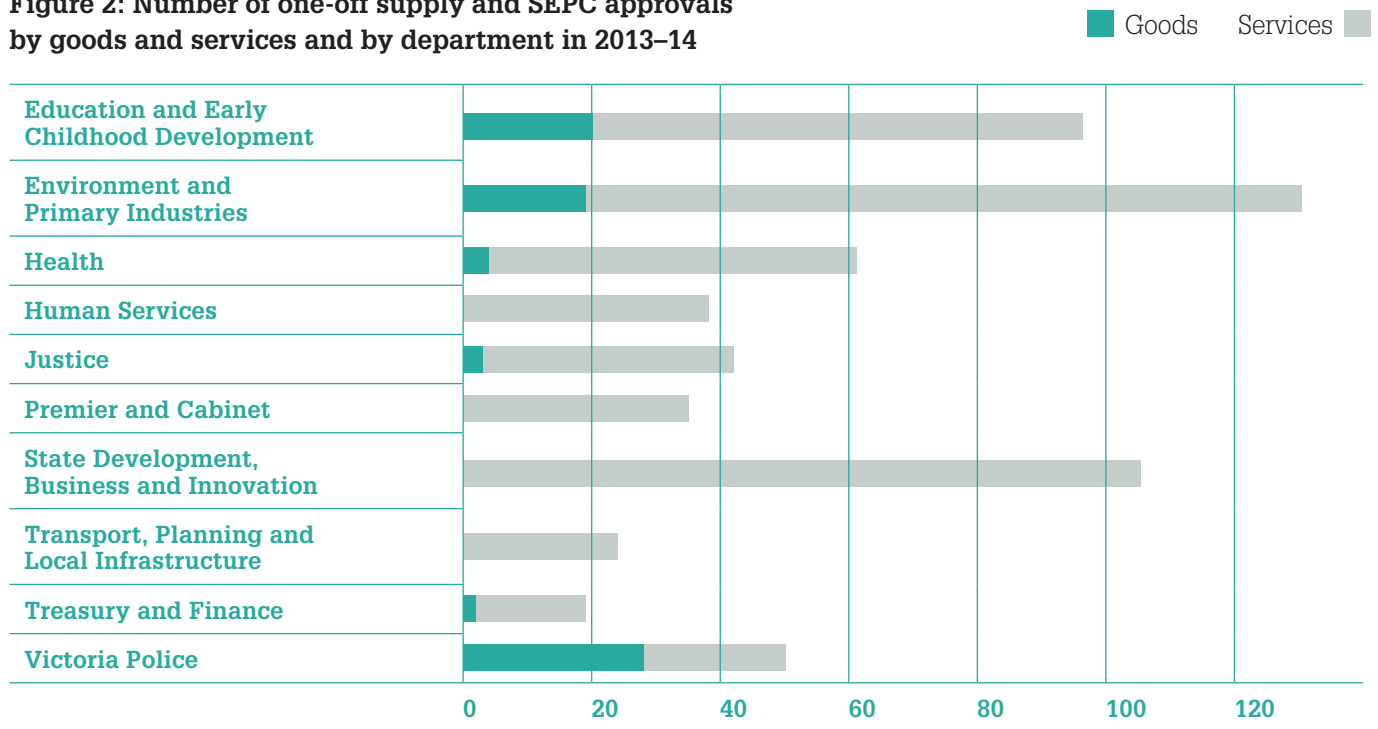
Table 7 and Figures 2 and 3 show the number and value of one-off supply and SEPC approvals by department in 2013–14.

**Table 7: Number and value of one-off supply and SEPC approvals by goods and services and by department in 2013–14**

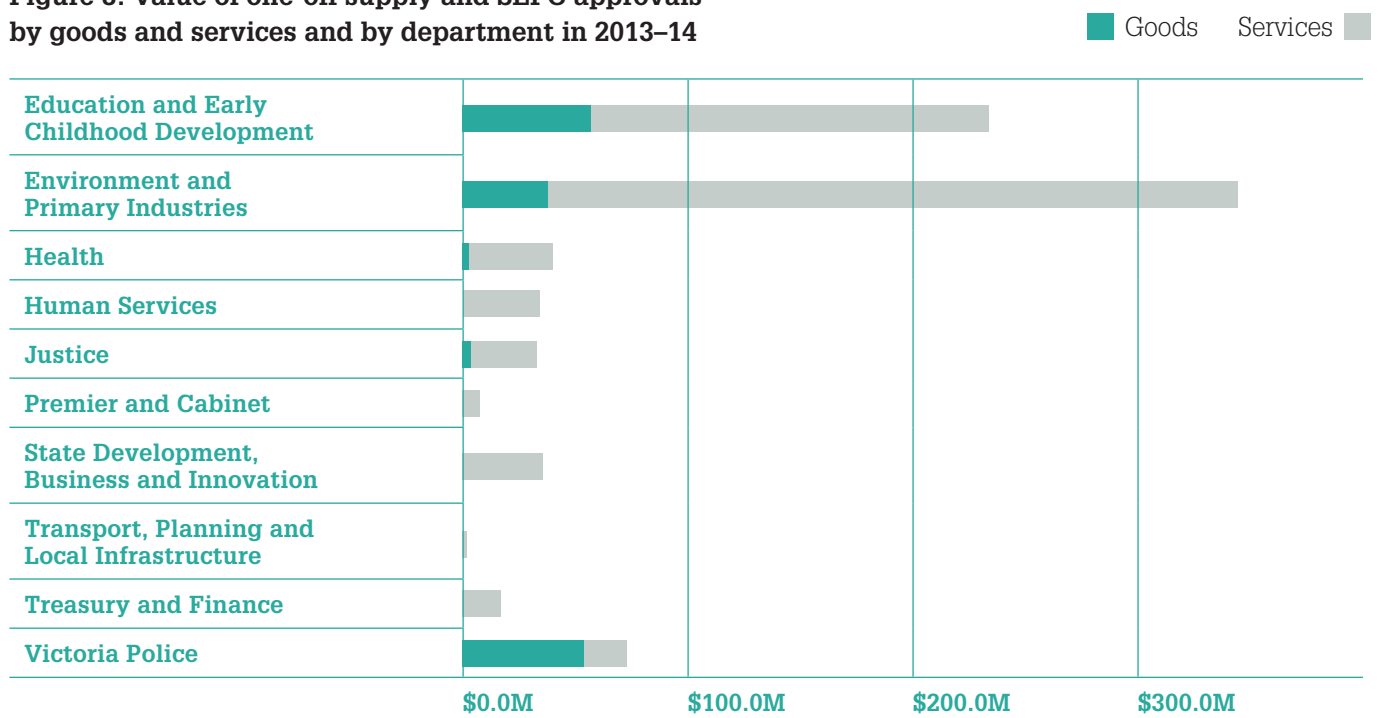
Department	Goods		Services	
	Number	Value	Number	Value
Education and Early Childhood Development	20	\$57.8M	76	\$177.5M
Environment and Primary Industries	19	\$38.0M	111	\$307.2M
Health	4	\$3.6M	57	\$37.5M
Human Services	1	\$0.1M	38	\$34.7M
Justice	3	\$4.2M	39	\$29.6M
Premier and Cabinet	1	\$0.1M	35	\$8.8M
State Development, Business and Innovation	0	\$0.0M	105	\$36.7M
Transport, Planning and Local Infrastructure	0	\$0.0M	24	\$0.1M
Treasury and Finance	2	\$0.9M	17	\$17.5M
Victoria Police	28	\$54.7M	22	\$19.7M
<b>Total</b>	<b>78</b>	<b>\$159.5M</b>	<b>524</b>	<b>\$669.3M</b>

# PROCUREMENT SPEND IN 2013–14

**Figure 2: Number of one-off supply and SEPC approvals by goods and services and by department in 2013–14**



**Figure 3: Value of one-off supply and SEPC approvals by goods and services and by department in 2013–14**



---

## PROCUREMENT SPEND IN 2013–14

---

### Critical incident procurement approvals

The critical incident procurement policy establishes an alternative procurement process to operate during a critical incident and any subsequent relief effort. The processes under this policy aim to accommodate urgent procurement needs while ensuring that the procurement process adopted is reasonable and conducted with appropriate consideration of good practice procurement principles.

There were four critical incident procurements valued at \$0.08 million in 2013–14, as shown in Table 8.

**Table 8: Critical incident procurement approvals in 2013–14**

	Number	Value (\$M)
Goods	1	\$0.01M
Services	3	\$0.07M
<b>Total</b>	<b>4</b>	<b>\$0.08M</b>

Three of these (valued at \$0.06 million) were reported by the Department of Environment and Primary Industries. Two purchases related to meals and wet hire of an excavator for fire suppression activities for the Murrindindi Fire District (Alexandra), and one purchase related to retardant foam mixing services for the Corryong Kings Creek fire.

Victoria Police also reported one procurement valued at \$0.03 million in relation to an explosion (house and buildings) on a rural property at Derrinallum requiring immediate analysis of air quality for hazardous materials to ensure that it was safe to enter and be at the site. The incident occurred at night making it impossible to follow standard procurement practice.

---

# PROCUREMENT PLANNING

---

**This section provides an overview of all standing offer agreements (SOAs) and strategic procurement plans (SPPs) approved in 2013–14, as well as procurements referred to the VGPB for oversight. SOA and SPP data is from all nine departments and Victoria Police regardless of their transition status. Oversight data is from transitioned departments only.**

---

## Standing offer agreements

An SOA is an agreement for commonly used goods and services that provides more effective and efficient procurement.

SOAs can involve arrangements with one or more suppliers for a set period (usually three to five years), incorporate a schedule of rates and performance levels, and usually require no obligation on the State to purchase a particular quantity of the goods or services.

SOAs can be structured with sole or multiple suppliers, and as open or closed panels. Multiple suppliers constitute a panel arrangement. Open panels can accept new suppliers at set or other times during the contract period while closed panels are restricted to the suppliers engaged at the start of the contract.

These long-term agreements have benefits to government such as:

- using the aggregated purchasing power of government to negotiate lower prices and better service; and
- reducing the administrative burden for end users in preparing specifications, requesting quotations and tenders, and evaluating offers for similar purchases.

SOAs include state purchase contracts (SPCs) and sole entity purchase contracts (SEPCs). SPCs are established when value for money can be best achieved by aggregating demand across departments and other government entities. SEPCs are used exclusively by one department.

All government departments and agencies can access SPCs as long as they commit to the rules of use.

The values in the tables are estimates and expenditure occurs over a number of years as detailed in the contract term and option to extend columns.

## PROCUREMENT PLANNING

### Sole entity purchase contracts

In 2013–14, 29 SEPCs were approved with an estimated total value of \$93.0 million as detailed in Table 9.

**Table 9: Number and estimated potential value of SEPCs approved in 2013–14**

Department	Total number	Total estimated value	Title/ description	Contract term (yrs)	Option to extend (yrs)	Tender type	Type of arrangement	Number of suppliers at 30 June 2014
Environment and Primary Industries	5	\$2.9M	Panel of assurance reviews	3	2x1	Public tender	Closed	7
		\$3.9M	Cutting equipment	3	2x1	Public tender	Closed	1
		\$5.5M	Panel for pest and weed control	1.8	3x1	Public tender	Closed	78
		\$7.5M	Panel of communications engineering support services	3	2x1	Public tender	Closed	16
		\$9.9M	Fire retardant	3.3	1	Exemption	Closed	1
Health	4	\$0.4M	Hepatitis B vaccine	3	0	Public tender	Closed	1
		\$2.5M	Storage, management and distribution of publications and materials	3	2	Public tender	Closed	1
		\$2.9M	Adsorbed diphtheria and tetanus vaccine	5	0	Exemption	Closed	1
		\$8.0M	Language services	3	2	Public tender	Closed	1
Human Services	5	\$0.1M	Managing safe workplaces training	2	0	RFO	Closed	1
		\$0.5M	Fire safety induction program	3	2	Public tender	Closed	1
		\$1.0M	Graduate courses in child family practice	2.3	0	Exemption	Closed	1
		\$1.5M	Internal audit services	3	0	Public tender	Closed	1
		\$12.5M	Language services	3	2	Public tender	Closed	1
Victoria Police		\$0.5M	Cold weather pullovers	3	2x1	Public tender	Closed	1
		\$0.5M	Coveralls	3	2x1	Public tender	Closed	1
		\$0.7M	Maintenance and support of digital evidence capture (DEC) interview recording equipment	3	2x1	Public tender	Closed	1



## PROCUREMENT PLANNING

**Table 9: Number and estimated potential value of SEPCs approved in 2013–14 (cont.)**

Department	Total number	Total estimated value	Title/ description	Contract term (yrs)	Option to extend (yrs)	Tender type	Type of arrangement	Number of suppliers at 30 June 2014
Victoria Police	15	\$0.8M	Uniform dress shoes	3	2x1	Public tender	Closed	1
		\$0.9M	Transportation and auctioneer services	3	2x1	Public tender	Closed	2
		\$0.9M	Uniform caps and hats	3	2x1	Public tender	Closed	1
		\$1.0M	Cold weather clothing	2	2x2	Public tender	Closed	2
		\$1.0M	Regional impoundment towing services gap regions (servicing specific regional locations)	3	2x2	RFQ	Closed	23
		\$1.0M	Regional impoundment towing services gap regions	3	2x2	Public tender	Closed	38
		\$1.2M	Equipment belts and accoutrements	3	2x2	Public tender	Closed	1
		\$1.5M	Information brokerage services for land title and business name checks	2	3x1	Public tender	Closed	1
		\$2.7M	DNA sampling kits (mouth, blood and hair)	3	2x1	Public tender	Closed	1
		\$5.1M	Telecommunications goods and services	3	2	Public tender	Closed	2
		\$7.0M	Language services, including Auslan	3	2x1	Public tender	Closed	3
\$9.2M	Supply and fitting of replacement tyres to all Victoria police vehicles	3	2x1	RFQ	Closed	2		
<b>Total</b>	<b>29</b>	<b>\$93.0M</b>						

RFQ = Request for quotation

# PROCUREMENT PLANNING

## State purchase contracts

In 2013–14 five SPCs were approved with an estimated total value of \$114.8 million as detailed in Table 10.

**Table 10: Number and estimated potential value of SPCs approved in 2013–14**

Department	Total number	Total estimated value	Estimated annual spend	Title/ description	Contract term (yrs)	Option to extend (yrs)	Tender type	Type of arrangement (closed/open)	Number of suppliers at 30 June 2014
State Development, Business and Innovation	3	\$0.0M <sup>1</sup>	\$0.0M <sup>1</sup>	WoVG Microsoft licensing service	3	0	Tender	Closed	1
		\$35.0M	\$12.0M	WoVG Microsoft enterprise agreement	3	0	Direct negotiation	Closed	1
		\$62.0M	tbc <sup>2</sup>	End user computing goods and services	-	-	Tender	Closed	-
Treasury and Finance	2	\$17.8M	\$4.5M	Real estate and facilities management services	4	3 (2+1)	EOI and select tender	Closed	1
		n/a <sup>3</sup>	\$4.0M	Marketing services	Ongoing	n/a	Open register	Open	142
<b>Total</b>	<b>5</b>	<b>\$114.8M</b>	<b>\$20.5M</b>						

EOI = Expression of interest

WoVG = Whole of Victorian Government

1. Estimated value is calculated as part of the WoVG Microsoft enterprise agreement.

2. Tender process to be completed in late 2014.

3. An open register does not include a contract end date, and therefore no total contract value can be calculated.

# PROCUREMENT PLANNING

## Strategic procurement plans

An SPP is a detailed plan for a proposed procurement process for major contracts (usually over \$10 million and/or complex projects of lesser value).

SPPs are prepared before starting the procurement process and must be approved before any approach is made to market. The procurement process after approval may take some time. The estimated expenditure provided in this section does not signify a formal budget commitment by the department. The indicative value

is based on a business case assessment of need and market capability to supply. Actual expenditure approved is reported after the procurement process is complete.

SPPs are not required for SPCs as they are incorporated in the SPC business plan.

In 2013–14 there were seven SPPs with a total estimated value of \$228.0 million as detailed in Table 11.

**Table 11: Number and planned estimated value of SPPs in 2013–14**

Department	Total number	Total estimated value	Title/description	Market approach	Contract type
Education and Early Childhood Development	3	\$20.8M	School review and intervention services panel	Public tender	One-off supply
		\$44.0M	ICT operating lease facility	Exemption from public tender (select tender)	One-off supply
		\$45.0M	Apple hardware for curriculum	Ex & 3Q (direct negotiation)	One-off supply
Human Services	1	\$52.5M	Records management and storage project	Public tender	SEPC
Justice	2	\$10.9M	Transport of deceased persons service	Public tender	One-off supply
		\$45.0M	Victoria's prisoner transport services	Exemption from public tender (select tender)	One-off supply
Victoria Police	1	\$9.8M	Telecommunications goods and services	Public tender	SEPC
<b>Total</b>	<b>7</b>	<b>\$228.0M</b>			

Ex & 3Q = Exemption from public tender and three quotes

## PROCUREMENT PLANNING

### Procurement activities subject to VGPB oversight

In accordance with its new supply policies, the VGPB has established a new framework to review specific procurement activities for process and probity oversight. During its regular review of departments' procurement activity plans, the VGPB identifies procurements for oversight that it considers to be of strategic importance to the State. Departments can also recommend specific procurements for VGPB oversight.

This data relates only to Victoria Police and the two departments that transitioned to the new procurement framework prior to 30 June 2014.

In 2013–14 four procurement activities were referred to the VGPB for oversight as detailed in Table 12.

**Table 12: Number and estimated value of procurement activities subject to VGPB oversight in 2013–14**

Department	Total number	Total estimated value	Title/description	Complexity assessment outcome	Market approach
Treasury and Finance	1	\$10.1M	Security services for DTF owned sites	Purchasing from security services SPC	Seek quotations from all providers on the panel
Victoria Police	3	\$11.5M	Telecommunications services <sup>1</sup>	Strategic	Multiple (dependant on earlier stages in the procurement process)
			RADARS telecommunications interception system <sup>1</sup>	Strategic	Multiple (dependant on earlier stages in the procurement process)
		\$329.5M	IT services contract	Strategic	EOI followed by select tender
<b>Totals</b>	<b>4</b>	<b>\$351.1M</b>			

EOI = Expression of interest

1. The telecommunications services and RADARS telecommunications interception system will both be procured as part of a joint four-stage procurement process. The market approach and estimated value for each stage depends on the results from earlier stages. Data in Table 12 should be considered as an estimate only.

---

# COMPLIANCE WITH VGPB SUPPLY POLICIES

---

**This section reports on compliance with VGPB policies in 2013–14. It includes compliance under the new and former policy frameworks and complaints received by departments related to procurement activity. Section 54L of the *Financial Management Act 1994* requires all accountable officers and departmental officers to comply with VGPB procurement policies when acquiring goods and services. Failure to comply with these policies is a breach.**

---

---

## COMPLIANCE WITH VGPB SUPPLY POLICIES

---

### Compliance under the new policy framework

Under the new policy framework, departments must report to the VGPB at least once every six months. In these reports, departments are required to submit a revised procurement activity plan and an update on their progress in delivering improvements in procurement capability, governance and procurement outcomes among other things.

Departments also list actions taken to ensure compliance with applying VGPB policies in their annual supply

report (ASR). The ASR is a report provided by each department to the VGPB at the end of each financial year. It summarises departments' procurement activity during the financial year and is signed by the Chair of the department's internal procurement unit.

Table 13 provides a synopsis of the actions taken by Victoria Police and the two departments that transitioned to the new procurement framework prior to 30 June 2014.

---

**Table 13: Compliance with new VGPB supply policies in 2013–14**

Department	Actions taken
Premier and Cabinet	<ul style="list-style-type: none"><li>▪ Defined and implemented required procurement reporting mechanisms.</li><li>▪ Defined and implemented required complaints management system.</li><li>▪ Defined and established contract management processes and procedures.</li><li>▪ Implemented procurement induction training.</li><li>▪ Developed procurement eLearning module for staff training on procurement policies and procedures.</li></ul>

## COMPLIANCE WITH VGPB SUPPLY POLICIES

**Table 13: Compliance with new VGPB supply policies in 2013–14 (cont.)**

Department	Actions taken
Treasury and Finance	<ul style="list-style-type: none"> <li>▪ Involved the Procurement Resource Unit (the department's internal procurement unit) in all procurement valued at \$10 000 or more as a key body in the department's procurement governance framework.</li> <li>▪ Registered procurements using a Procurement Initiation Document (PID) to document the planned procurement process and have it approved prior to market approach (including undertaking complexity assessment and market analysis where necessary).</li> <li>▪ Adopted VGPB templates and guidance materials for use when approaching the market.</li> <li>▪ Gave recommendations (including evaluation outcomes, contract management and supplier engagement processes) via a Procurement Outcome Document (POD) prior to execution of contracts.</li> <li>▪ Included an annual procurement audit in the department's annual audit plan.</li> <li>▪ Included the Procurement Resource Unit in the Ariba (e-Procurement system) approval flow to ensure that all procurements processes are aligned with policy and captured accurately.</li> <li>▪ Regularly reviewed the VGPB's supply framework to ensure alignment/compliance with policy requirements.</li> </ul>
Victoria Police	<ul style="list-style-type: none"> <li>▪ Conducted a series of compliance audits.</li> <li>▪ Implemented a comprehensive change management program to maximise awareness of new policy and requirements.</li> <li>▪ Implemented a new online procurement training program.</li> <li>▪ Designed and implemented new toolkits and templates that guide users through the compliance-based procurement process.</li> <li>▪ Implemented refreshed procurement governance arrangements.</li> <li>▪ Commenced Chartered Institute of Purchasing and Supply audit.</li> </ul>

## COMPLIANCE WITH VGPB SUPPLY POLICIES

### Compliance under the former policy framework

For departments still operating under the old policy framework, the accountable officer must report any breaches involving a financial commitment above \$150 000 to the VGPB immediately. The VGPB will note:

- factors leading to the non-compliance;
- actions taken to rectify the breach; and
- processes implemented to prevent a recurrence of factors that led to the non-compliance in the first instance.

The department may finalise the outstanding financial matter after noting by the VGPB and proceeding with approval from an officer in the department with appropriate financial delegation.

The seven departments still operating under the former VGPB supply policies at 30 June 2014 recorded 99 per cent compliance in 2013–14, as shown in Table 14. There were six breaches valued at \$2.3 million.

**Table 14: Compliance with former VGPB supply policies in 2013–14**

Department	Number of breaches	Total number of purchases	Level of compliance (%)
Education and Early Childhood Development	2	96	98
Environment and Primary Industries	0	130	100
Health	2	61	97
Human Services	2	39	95
Justice	0	42	100
State Development, Business and Innovation	0	105	100
Transport, Planning and Local Infrastructure	0	24	100
<b>Total</b>	<b>6</b>	<b>497</b>	<b>99</b>

Note: Total number of purchases includes one-off supply approvals and sole entity purchase contracts but excludes variations, state purchase contracts and critical incident procurement.

The Department of Environment and Primary Industries advised the VGPB that it had identified some potential breaches in 2013–14. These policy breaches will be formally reported to the VGPB upon conclusion of the relevant investigations.

It is not possible to compare these compliance figures with previous years due to the different reporting format and the reduced number of departments reporting on compliance under the former policy framework.



---

## COMPLIANCE WITH VGPB SUPPLY POLICIES

---

### Compliance in previous years

Historically, all departments were required to report instances of non-compliance with the VGPB's former

policy framework. Table 15 details compliance with VGPB supply policies from 2002–03 to 2012–13.

---

**Table 15: Compliance with VGPB supply policies from 2002–03 to 2012–13**

Year	Number of breaches	Level of compliance (%)
2012–13	10	98
2011–12	15	97
2010–11	11	98
2009–10	10	98
2008–09	13	98
2007–08	21	97
2006–07	32	96
2005–06	25	97
2004–05	36	94
2003–04	23	96
2002–03	29	95

Note: From 2002–03, departments were required to report breaches for procurements valued over \$100 000. In 2005–06 the threshold for reporting breaches was increased to \$102 500, and was then increased to \$150 000 from 2008–09.

## COMPLIANCE WITH VGPB SUPPLY POLICIES

### Complaints

The VGPB's new supply policies continue to require departments to develop a complaints management system that sets out the process and procedures for addressing complaints by suppliers. The VGPB defines a complaint as an issue or concern expressed by a supplier in relation to the process and probity applied by an organisation when carrying out a procurement activity.

All nine departments and Victoria Police reported on complaints in 2013–14, regardless of their transition status. There were three complaints related to procurement activity as shown in Table 16.

**Table 16: Complaints related to procurement activity in 2013–14**

Department	Number	Nature of complaint	Actions taken	Status
Environment and Primary Industries	1	Tenderer objected to insurance clauses in standard departmental contract.	After some negotiation matter could still not be resolved. Tenderer complained to Minister. The department met with the tenderer. Tenderer withdrew from tender process.	Resolved
Health	1	Unsuccessful tenderer lodged a complaint on the grounds of probity.	Audited the procurement process and found no breaches of probity.	Resolved— action taken
Victoria Police	1	Regional car wash service complained that their contract had been terminated due to one of the supplier's employees having a criminal record. The employee concerned had their employment terminated by the supplier but the contract was not re-instated.	Gathered data from the supplier and the police business unit that managed the contract and subsequent procurement process. Investigation of the complaint found sufficient and appropriate grounds to terminate the contract due to an unacceptable level of risk. Investigation of the subsequent procurement process to establish a replacement service found that the decision to appoint a new provider was clearly based on value for money. Investigation findings were communicated to the complainant. No further action required.	Resolved— action taken
<b>Total</b>	<b>3</b>			

---

# DEPARTMENTAL PROCUREMENT ACTIVITIES

---

**This section provides information about the strategic projects and initiatives carried out by accredited purchasing units (APUs) and internal procurement units (IPUs) in relation to the procurement of goods and services.**

---

APUs/IPUs report on actions and initiatives related to:

- the procurement charter;
- actions to support participation of small and medium enterprises (SMEs) and local businesses in government procurement opportunities;
- supplier engagement initiatives;
- market briefings of procurement directions;
- procurement marketing;
- procurement process efficiencies implemented/planned;
- systems development and application;
- innovation;
- capability development;
- awards/recognition attained; and
- any other relevant actions and initiatives.

APUs/IPUs and their secretariats ensure compliance with VGPB supply policies, keeping departmental policies, tools and templates aligned and up to date. They provide advice, assistance and expertise to support departmental staff in their procurement activities.

APUs/IPUs are involved in the consultation process for changes to procurement policies and may participate in reference groups and tender evaluation panels to provide departmental input and strategic advice on whole of government purchasing arrangements.

IPUs are also responsible for assessing the procurement capability of the organisation and preparing a capability development plan on an annual basis. They also identify major procurement categories and report annually to the accountable officer on the organisation's procurement activities.

---

## Summary of APU/IPU activities in 2013–14

In 2013–14 departments continued to focus on activities related to procurement reform, with some transitioning to the new framework and others preparing for transition in 2014–15. All departments have now appointed a chief procurement officer (CPO).

The CPO and APU/IPU Chair listed under each department is the person in the role on 30 June 2014.

---

## DEPARTMENTAL PROCUREMENT ACTIVITIES

---

### Department of Education and Early Childhood Development

<b>APU Chair</b>	Ms Janet Thompson, Executive Director, Procurement Division (from 1 July 2014 the APU will transition to an IPU and a new Chair has been appointed)
<b>CPO</b>	Ms Janet Thompson, Executive Director, Procurement Division
<b>Transition status</b>	Approved for transition on 1 July 2014
<b>Accreditation level</b>	Tier 1

In 2013–14 the Department of Education and Early Childhood Development (DEECD) continued to prepare for transition and was approved by the VGPB to transition on 1 July 2014. DEECD's IPU is called the Procurement Governance Committee (PGC) and will be chaired by the Deputy Secretary, Infrastructure and Finance Services Group from 1 July 2014.

#### Other activities in 2013–14 included:

- developing a streamlined, user-friendly approach for DEECD staff that incorporates:
  - a programmed procurement approval framework that accentuates the importance of procurement planning; and
  - category management identification/selection;
- improving the online contract module to provide step-by-step approval processes and related documentation, giving financial delegates and contract managers a single point of reference for individual procurement activities; and
- maintaining and increasing procurement training programs for DEECD staff to increase procurement capability and compliance across the department.

#### Activities planned for 2014–15 include:

- conducting six-monthly reviews of DEECD's governance and operating model to ensure compliance with the new VGPB supply policies;
- monitoring DEECD's performance against procurement KPIs;
- updating and publishing DEECD's procurement activity plan every six months to keep the market informed about forecast procurement activities; and
- building capability around category management to increase levels of procurement capability and compliance.

# DEPARTMENTAL PROCUREMENT ACTIVITIES

## Department of Environment and Primary Industries

<b>APU Chair</b>	Mr Anthony Connelly, Executive Director, Business Operations (upon VGPB approval, the APU will transition to an IPU and a new Chair will be appointed)
<b>CPO</b>	Mr Anthony Connelly, Executive Director, Business Operations
<b>Transition status</b>	Scheduled to submit an updated transition plan in September 2014
<b>Accreditation level</b>	Tier 2

The Department of Environment and Primary Industries (DEPI) is scheduled to submit an updated procurement plan and procurement strategy to the VGPB in September 2014. The IPU is in the process of being set up and will be known as the Procurement Governance Committee (PGC).

After machinery of government (MOG) changes in April 2013, DEPI merged the APU committees and procurement functions from the former Department of Sustainability and Environment (DSE) and the Department of Primary Industries (DPI). DEPI consolidated procurement policies, processes and contract registers to ensure consistency across the organisation.

### Other activities in 2013–14 included:

- consolidating DEPI's vendor database with the procure-to-pay process to reduce duplication of vendors. The system was expanded to incorporate DPI's accounts payable process giving DEPI one consistent procure-to-pay operating model;
- analysing spend and identifying major categories of spend bringing together work completed by DSE and DPI prior to MOG changes;
- developing a departmental Aboriginal Action Plan incorporating Indigenous suppliers to support regionally-based Indigenous small and medium enterprises;
- improving contract monitoring by requiring staff to record all contract activity valued at more than \$10 000 in DEPI's contract register;

- engaging a supplier to implement a contract management system; and
- delivering 34 training sessions covering various aspects of procurement and contract management to 213 DEPI staff.

### Activities planned for 2014–15 include:

- setting up the structure and positions for a partial centre-led procurement group and appointing members to the PGC;
- implementing DEPI's category management strategy and identifying other areas of spend that can be included in category management;
- establishing a contract management framework including implementing the new contract management system;
- developing a framework to house all procurement tools, processes and policies;
- implementing the procurement capability development plan to address any gaps in procurement capability and developing training support material to raise skill levels as required;
- developing a supplier engagement and relationship management framework to strengthen DEPI's relationship and reputation with suppliers;
- improving contract performance reporting to improve transparency and provide quality assurance to senior management; and
- implementing a procurement complaints handling framework.

## DEPARTMENTAL PROCUREMENT ACTIVITIES

### Department of Health / Department of Human Services

<b>APU Chair (joint APU Chair for Health and Human Services)</b>	Anne Congleton, Acting Executive Director, Financial and Corporate Services Group (Human Services)
<b>CPO (Health)</b>	Jenny Zahara, Manager, Commercial Operations, Finance Branch, Corporate Services Division
<b>CPO (Human Services)</b>	Genine Wallinga, Director, Procurement and Contract Management Branch, Corporate Services Group
<b>Transition status</b>	Approved for transition on 1 July 2014
<b>Accreditation level</b>	Tier 2

The Department of Health (DoH) and the Department of Human Services (DHS) operate with a joint APU. In 2013–14 the two departments continued to prepare for transition and were approved by the VGPB to transition on 1 July 2014.

#### Other activities in 2013–14 included:

- streamlining routine purchasing and procurement activities by:
  - enabling financial delegates to sign contracts for goods and services (Health);
  - improving rules around establishing contracts to reduce involving and relying on the legal branch in low to medium risk contracts (Health);
  - establishing a single contract proforma for goods and services contract engagements (Health); and
- continuing to maintain and promote the 'Excellence in Procurement' training framework across both departments with 390 financial delegates attending training for delegates, 470 staff attending a range of courses (up to one day each) and over 1 000 staff attending a range of seminars and workshops conducted in both metropolitan and rural offices.

#### Activities planned for 2014–15 include:

- implementing five procurement capability development projects across both departments to address gaps identified in contract management, category management (sourcing) and performance management;
- supporting transition to the new supply policy framework by continuing to work on initiatives started in 2013–14 such as:
  - strengthening category management knowledge and experience by incorporating a second year of data analysis;
  - settling procurement planning arrangements and broad go-to-market strategies;
  - communicating with all staff on the reform;
  - strengthening the procurement information on the intranet to ensure that staff have ready access to current information on policies, tools and templates; and
- implementing the finance and procurement competency assurance matrix across both departments.

---

# DEPARTMENTAL PROCUREMENT ACTIVITIES

---

## Department of Justice

<b>APU Chair</b>	Ms Gail Moody, Deputy Secretary, Corporate Governance and Infrastructure
<b>CPO</b>	Philip Chalkley, Chief Procurement Officer, Office of the Chief Procurement Officer
<b>Transition status</b>	Scheduled to submit transition plan in August 2014
<b>Accreditation level</b>	Tier 2

The Department of Justice (DOJ) continued to plan for transition and will submit its procurement plan and procurement strategy to the VGPB in August 2014. DOJ appointed a CPO and set up the Office of the Chief Procurement Officer (OCPO).

### Other activities in 2013–14 included:

- delivering procurement workshops to raise levels of procurement and contract management capability across the organisation;
- conducting quarterly forums for contract managers and procurement officers on topics such as probity, Victorian Auditor-General Office audits, contract management, ombudsman reporting and ContraX (DOJ's new contract management system); and
- helping Court Services Victoria set up an independent procurement function ready to operate as a separate entity from 1 July 2014.

### Activities planned for 2014–15 include:

- launching a website for the OCPO which includes the department's procurement and contract management framework (PCM). The PCM was developed to provide a comprehensive guide to sourcing under the new procurement framework;
- implementing ContraX, giving the department a consolidated repository of all departmental contracts which allows for enhanced centralised reporting and monitoring by the OCPO;
- developing a procurement training module covering basic sourcing activities;
- creating a procurement community of practice for practitioners from across the department to share knowledge and lessons learned; and
- identifying opportunities to aggregate demand and set up simple panels to improve value for money from common suppliers.

---

## DEPARTMENTAL PROCUREMENT ACTIVITIES

---

### Department of Premier and Cabinet

<b>IPU Chair</b>	Jo de Morton, Deputy Secretary, Government Operations Group
<b>CPO</b>	Tony Matthews, Director Corporate Resources and Acting Director Corporate Development
<b>Transition status</b>	Transitioned on 1 January 2014
<b>Accreditation level</b>	n/a

The Department of Premier and Cabinet (DPC) transitioned on 1 January 2014. During the year, DPC completed a number of activities to fulfil its responsibilities under the new framework, such as establishing internal procurement capability and an effective governance structure.

#### Other activities in 2013–14 included:

- embedding the requirement to adhere to the Indigenous Inclusion Strategy in the DPC procurement initiation process;
- sending monthly procurement bulletins to all DPC staff;
- developing the procurement program of work for 2014–15 to improve DPC procurement processes;
- developing and implementing a new contracts register;
- developing a procurement eLearning system ready for implementation in 2014–15 to cost-effectively train DPC staff on procurement policies and procedures;
- setting up an intranet area with procurement and contract management information; and
- introducing procurement induction training for all new starters.

#### Activities planned for 2014–15 include:

- improving capability through training and communications;
- checking the contract and procurement team annual plan to ensure alignment with DPC's broader organisational strategy;
- organising an annual planning event for the CPO and other executives to ensure that DPC's procurement strategy is aligned with DPC's broader organisational strategy and is endorsed by senior management;
- improving procurement tools and templates based on user feedback; and
- improving monitoring and reporting to ensure oversight of procurement practice and outcomes.



---

## DEPARTMENTAL PROCUREMENT ACTIVITIES

---

### Department of State Development, Business and Innovation

<b>APU Chair</b>	Mr Rob Barr, Deputy Secretary, Corporate Planning and Compliance Services
<b>CPO</b>	Ms Mia Skinner, Chief Procurement Officer, Innovation, Services, Small Business & Technology Division
<b>Transition status</b>	Scheduled to submit transition plan in September 2014
<b>Accreditation level</b>	Tier 1

The Department of State Development, Business and Innovation (DSDBI) continued to plan for transition and will submit its procurement plan and procurement strategy to the VGPB in September 2014.

DSDBI expanded under MOG changes announced in March 2013 and needed to review its procurement profile to understand the nature, complexity and implications of potential future procurement activities. The department began identifying knowledge and expertise gaps so that these can be addressed in its procurement capability strategy.

DSDBI also completed a follow-up review of the eQuotation system to see how well it encourages SME access to DSDBI procurement opportunities.

The review showed that eQuotation continues to make a difference for SMEs. From July 2011 to June 2014, DSDBI advertised 389 procurement opportunities through the eQuotation system. A total of 13 464 prospective suppliers registered their interest in procurement opportunities with the vast majority being Victorian SMEs. The department received 2 833 submissions (bids) representing a 240% increase on the 1 167 quotations that would have been sought under previous quotation rules.

#### **Activities planned for 2014–15 include:**

- continuing to assess DSDBI's procurement profile and completing the capability strategy using the results of a survey conducted in June 2014;
- setting up processes needed to ensure compliance with the VGPB's new procurement framework post transition; and
- proactively encouraging SMEs to quote for DSDBI commercial engagements through eQuotation.

---

## DEPARTMENTAL PROCUREMENT ACTIVITIES

---

### Department of Transport, Planning and Local Infrastructure

<b>APU Chair</b>	Mr Simon Burrage, Assistant Director Finance, Financial Advisory and Analysis
<b>CPO</b>	CPO appointed and will commence in August 2014
<b>Transition status</b>	Scheduled to submit transition plan in September 2014
<b>Accreditation level</b>	Tier 2

In 2013–14 the Department of Transport, Planning and Local Infrastructure (DTPLI) continued to prepare for transition and will submit their transition plan to the VGPB in September 2014.

DTPLI integrated the procurement functions from four departments following MOG changes in April 2013. This included various change management tasks such as updating procurement guides and templates to ensure all staff follow the same procurement rules.

The department had planned to implement the first stage of a capability development program but this has been deferred to align with transition later in 2014–15.

#### **Activities planned for 2014–15 include:**

- preparing systems and guidance material ready for deployment to support transition; and
- implementing the first stage of the capability development program including a communications campaign to get staff ready for the changes.

---

## DEPARTMENTAL PROCUREMENT ACTIVITIES

---

### Department of Treasury and Finance

<b>IPU Chair</b>	Joe Bonnici, Chief Financial Officer, Financial and Technology Services
<b>CPO</b>	Jane Olsen, Chief Procurement Officer, Procurement Resource Unit
<b>Transition status</b>	Transitioned on 1 July 2013
<b>Accreditation level</b>	n/a

The Department of Treasury and Finance (DTF) was the first department to transition on 1 July 2013. During the year, DTF completed a number of activities to fulfil its responsibilities under the new framework, such as

- establishing effective governance arrangements;
- implementing new streamlined processes supported by metrics for regular reporting and evaluation;
- coaching staff to help them understand how to use a complexity assessment in place of value thresholds;
- conducting a capability gap analysis and creating an action plan to address any gaps;
- implementing a supplier engagement framework for focused and strategic procurement quadrants; and
- setting up monthly, quarterly and annual reporting to ensure accurate, timely reporting to the IPU, CPO, accountable officer and VGPB.

#### **Activities planned for 2014–15 include:**

- focusing on strategic capability building including planning and contract management, and evaluation and building capabilities in using systems and processes;
- continuing to streamline processes including DTF's intranet and reporting;
- implementing a supplier engagement framework for leveraged and transactional procurement quadrants;
- evaluating and improving spend mapping to better understand DTF's procurement costs; and
- improving reporting by evaluating reporting requirements and enhancing data collection.

---

## DEPARTMENTAL PROCUREMENT ACTIVITIES

---

### Victoria Police

<b>IPU Chair</b>	Mr Andrew Loader, Director Corporate Strategy and Operational Improvement, Strategy
<b>CPO</b>	Jo Hoffman, Chief Procurement Officer / Director of Procurement Department, Infrastructure
<b>Transition status</b>	Transitioned on 1 December 2013
<b>Accreditation level</b>	n/a

Victoria Police transitioned on 1 December 2013, implementing a comprehensive change management strategy to get the organisation ready to apply the new policies.

#### Activities in 2013–14 included:

- further analysing organisational spend data to improve category management and to identify potential procurement opportunities and compliance risks;
- developing and implementing a range of contract specific saving strategies to increase commercial savings;
- assessing procurement capability through a SWOT analysis of procurement functions, a risk analysis of procurement lifecycle activities and a capability assessment of procurement staff;
- developing a procurement capability plan to address any gaps identified in the capability assessment;
- delivering category management training and revamping the internal fit-for-purpose procurement training across the organisation; and
- building on the procurement planning process to develop comprehensive, timely plans that support proper resource planning, demand aggregation, effective market research and approaches, and better value-for-money outcomes.

#### Activities planned for 2014–15 include:

- continuing to build on the procurement planning process to develop comprehensive, timely plans that support proper resource planning, demand aggregation, effective market research and approaches and better outcomes;
- updating the organisation's spend analysis to confirm categories and spend profile and embedding category management in Victoria Police's procurement practices;
- continuing to look for savings through improved commercial arrangements;
- conducting a post-implementation review of procurement reform;
- implementing the comprehensive capability building plan to address gaps identified in the capability assessment and achieving Chartered Institute of Purchasing and Supply recertification; and
- monitoring procurement and contract management activities through internal audit to ensure compliance with VGPB policies.

---

# PROCUREMENT ACTIVITY UNDER THE FORMER VGPB SUPPLY POLICIES

---

**This section summarises one-off supply approvals and variations referred to the VGPB by the seven departments still operating under the former supply policy framework on 30 June 2014. The data excludes standing offer agreements and critical incident procurement as these are reported under *Procurement spend in 2013–14*.**

---

Due to the different reporting format in this year's report there is no comparative trend analysis. In previous years, departments reported on all one-off supply approvals above the public tender threshold (\$150 000).

This year departments reported on one-off supply approvals and variations referred to the VGPB for approval, that is, approvals with a higher value than their accreditation level. Refer to *Table 2: APU accreditation levels, 30 June 2014* for purchase value limits for each department.

---

## PROCUREMENT ACTIVITY UNDER THE FORMER VGPB SUPPLY POLICIES

---

### Overview of one-off supply and variation approvals

In 2013–14 departments referred 20 one-off supply contracts valued at \$98.9 million and 13 variations valued at \$303.0 million to the VGPB for approval (Table 17).

---

**Table 17: Number and value of one-off supply approvals and variations referred to the VGPB by procurement process in 2013–14**

Procurement process	Number	Value
Public tender	18	\$92.7M
Exemption from public tender	1	\$1.5M
Exemption from public tender and three quotes	1	\$4.8M
Variations	13	\$303.0M
<b>Total</b>	<b>33</b>	<b>\$402.0M</b>

---

The majority of one-off supplies (95 per cent) and variations (77 per cent) referred to the VGPB were for procurement of services as shown in Tables 18 and 19.

---

**Table 18: Number and value of one-off supply approvals referred to the VGPB by goods and services in 2013–14**

	Number	Value
Goods	1	\$1.3M
Services	19	\$97.7M
<b>Total</b>	<b>20</b>	<b>\$98.9M</b>

---

## PROCUREMENT ACTIVITY UNDER THE FORMER VGPB SUPPLY POLICIES

**Table 19: Number and value of variations referred to the VGPB by goods and services in 2013–14**

Variations	Number	Value
Goods	3	\$142.3M <sup>1</sup>
Services	10	\$160.8M <sup>2</sup>
<b>Total</b>	<b>13</b>	<b>\$303.0M</b>

1. Includes a contract variation totalling \$122 million.
2. Includes a contract variation totalling \$111 million.

### One-off supply approvals by department

Table 20 provides a breakdown of one-off supply approvals referred to the VGPB by department and by goods and services. The data does not include variations.

**Table 20: Number and value of one-off supply approvals referred to the VGPB by goods and services and by department in 2013–14**

Department	Goods		Services	
	Number	Value	Number	Value
Education and Early Childhood Development	1	\$1.3M	16	\$67.9M
Environment and Primary Industries	-	-	1	\$17.0M
Health	-	-	-	-
Human Services	-	-	-	-
Justice	-	-	-	-
State Development, Business and Innovation	-	-	2	\$12.8M
Transport, Planning and Local Infrastructure	-	-	-	-
<b>Total</b>	<b>1</b>	<b>\$1.3M</b>	<b>19</b>	<b>\$97.7M</b>

## PROCUREMENT ACTIVITY UNDER THE FORMER VGPB SUPPLY POLICIES

### One-off supply approvals subject to a contestable process

The VGPB's new supply policies require departments to undertake thorough market analysis to inform their market engagement strategy. The intent is to increase the number of procurement activities that are subject to market competition. Departments are required to report on the number of procurements that are contestable by the market.

Of the 20 one-off supply approvals referred to the VGPB in 2013–14, 19 were subject to a contestable process (Table 21). Eighteen of these went to a full public tender and one went to a limited tender of three suppliers following market analysis. Only one one-off supply approval was exempt from public tender and three quotes due to the market analysis outcome (Table 22).

**Table 21: Number and value of one-off supply approvals referred to the VGPB subject to a contestable process by goods and services**

Department	Goods		Services	
	Number	Value	Number	Value
Education and Early Childhood Development	1	\$1.3M	15	\$63.1M
Environment and Primary Industries	-	-	1	\$17.0M
State Development, Business and Innovation	-	-	2	\$12.8M
<b>Total</b>	<b>1</b>	<b>\$1.3M</b>	<b>18</b>	<b>\$92.9M</b>

**Table 22: Reasons for non-contestable process**

Reason	Number	Value
Market analysis outcome	1	\$4.8M
Security/confidentiality requirements	-	-
Maintenance of standard operating environment	-	-
Government policy requirement	-	-
<b>Total</b>	<b>1</b>	<b>\$4.8M</b>



---

# LINKS AND GLOSSARY

---

## Procurement websites

### Procurement Victoria

A one-stop portal for advice on procurement of goods and services for government and businesses in Victoria. The portal contains VGPB policies, guidelines, tools and templates, and links to other procurement-related websites.

[www.procurement.vic.gov.au](http://www.procurement.vic.gov.au)

### Tenders VIC

All tenders advertised and major contracts awarded by Victorian Government departments including listings of past tenders and contracts.

[www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)

### Australasian Procurement and Construction Council

The peak council of departments responsible for procurement, construction and asset management policy for the Australian, state and territory governments, and the New Zealand Government. Papua New Guinea is an associate member.

[www.apcc.gov.au](http://www.apcc.gov.au)

### Training.gov.au

The official national register of information on training packages, qualifications, courses, units of competency and registered training organisations.

[www.training.gov.au](http://www.training.gov.au)

### Victorian Registration and Qualifications Authority (VRQA)

The registration and regulation body for education and training providers in Victoria. The VRQA ensures quality education and training is delivered by the providers it registers in Victoria, and promotes informed choice when it comes to education and training decisions.

[www.vrqa.vic.gov.au](http://www.vrqa.vic.gov.au)

---

## LINKS AND GLOSSARY

---

### Glossary

**Accountable officer:** the head of any given department, or, for a public body, the chief executive officer (or comparable title) of that body.

**Accreditation:** a system where the VGPB delegates its authority to a department through the accountable officer to allow the department to note, endorse, or approve requisitions up to an accreditation level as agreed by the VGPB. Requisitions above a department's accreditation level are referred to the VGPB for approval after endorsement by the APU.

**Accredited purchasing unit (APU):** a body in each department responsible for ensuring that the procurement activities of its department are driven by business needs and comply with VGPB policy. The APU has authority from the VGPB to approve all purchasing processes that fall within its accreditation limit. Departments that have transitioned to the VGPB's new policy framework have an internal procurement unit in place of the APU (see *internal procurement unit*).

**Aggregated demand or aggregation:** a generic term whereby demand for identical or similar categories is grouped together to leverage benefits from greater economies of scale when negotiating with potential suppliers.\*

**Annual supply report:** a report to the VGPB from departments providing information and data relating to the purchase of goods and services during one financial year.

**Australasian Procurement and Construction Council (APCC):** the peak council of departments responsible for procurement, construction and asset management policy for the Australian, state and territory governments and the New Zealand Government. Papua New Guinea is an associate member.

**Breach:** a case of non-compliance with VGPB policies. Under the VGPB's former supply policies, where a breach involves a financial commitment above \$150 000, the accountable officer is to report the breach to the VGPB immediately.

**Business case:** the information needed to enable a manager to decide whether to support a proposed project before significant resources are committed to its development. The core of the business case is an assessment of the costs and benefits of proceeding with a project.

**Capability:** competence, capability and capacity are often used interchangeably to describe an individual's or organisation's ability to perform tasks or activities effectively. VGPB policy defines procurement capability as matching the person(s), resources, systems and processes to the requirements of a procurement activity.

**Categories:** a grouping of related goods or services based on similar characteristics. For example, packaging as a category may include a variety of different goods and materials, all of which share a common purpose. A category may be further divided into sub-categories based on physical characteristics such as plastic packaging or cardboard packaging.

---

## LINKS AND GLOSSARY

---

**Chief procurement officer (CPO):** provides strategic expert advice and oversight of the procurement function to drive and ensure value-for-money outcomes in the organisation. The CPO is responsible for developing and monitoring a number of strategic procurement activities. The CPO can be a role or a position as defined in the VGPB's new governance policy.

**Contract:** an agreement between two or more authorised persons on behalf of their organisations to perform or not perform a specific act that is enforceable in law. A contract may be verbal, written or inferred by conduct.

**Contract management:** all activities at the start, during and after the contract period to ensure that all contractual obligations are fulfilled.

**Contract variation:** an addition or alteration to the goods and/or services under a contract that is within the general scope of the original contract. A contract variation can be documented between the parties with a letter or a deed of variation.

**Department:** a body existing by virtue of an order made under the *Public Administration Act 2004*.

**e-Procurement:** involves the online conduct of business-to-business procurement processes using web-based applications.\*

**Expression of interest (EOI):** used to identify suppliers interested in, and capable of, delivering the required goods or services. Potential suppliers are asked to provide information on their capability and capacity to do the work. It is usually the first stage of a multi-stage tender process.

**Financial delegate:** a person authorised by the Minister to make general or specified decisions constrained only by the instrument of financial delegation. Specifically, financial delegates commit and incur expenditure, and sign contracts.

**Financial delegation:** a power handed down to a second party to act on their own behalf, but not including power to further delegate. The second party is responsible for actions arising from their use of such power.

**Internal procurement unit (IPU):** a body in each department responsible for ensuring that procurement activity complies with VGPB policy. The IPU assesses the procurement capability of the organisation and prepares a capability development plan on an annual basis. It also identifies major procurement categories and reports annually to the accountable officer on the organisation's procurement activities.

**Machinery of government (MOG):** the allocation of functions and responsibilities between departments and ministers. In Victoria, these matters are the sole responsibility of the Premier.

**Market-based solutions:** applying strategies to gain relevant market knowledge to identify the optimal path to market and drive value-for-money outcomes.

**One-off supply:** a purchase of a specific quantity of goods or services which has been subject to a discrete quotation or tender process.

**Outer budget agency:** a public body that is not a department or an office as defined in the *Public Administration Act 2004*.

---

## LINKS AND GLOSSARY

---

**Prequalification arrangements:** mechanisms that simplify the procurement process by having a supplier's capability, performance and management arrangements assessed upfront at a level that helps buyers identify appropriate suppliers for a particular procurement activity. Prequalification also reduces the administrative burden on suppliers who do not need to resubmit details when bidding for government contracts.

**Price indicator:** A measure of general price trends, typically used to measure changes in the price of one or more goods or services at a particular point in time. A price indicator can be applied to calculating a contract price over the contract period.

**Probity:** uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.

**Procurement:** all the business processes associated with purchasing, spanning the whole cycle from identifying needs to the end of a service contract or the end of the useful life and subsequent disposal of an asset. It also includes the organisational and governance frameworks that underpin the procurement function. Procurement does not include store management and logistics that are part of the wider subject of supply chain management.

**Procurement activity plan:** details planned procurement activity for at least the next 12 to 18 month period and must be reviewed at least annually to keep the market informed of changes or developments. A high-level summary plan must be published on the organisation's website to improve transparency for suppliers.

**Procurement process:** the step-by-step process for the planning, establishment and contract management of small and large acquisitions.

**Procurement strategy:** provides an overview of an organisation's procurement profile and underpins the organisation's procurement governance framework. The procurement strategy is a requirement under the VGPB's new supply policies.

**Request for quotation (RFQ):** a written process of inviting offers to supply goods and/or services involving simple documentation and a limited number of potential suppliers.

**Request for tender (RFT):** a request for offer against a set of clearly defined and specified requirements. Tenderers are advised of all requirements involved including the conditions of tendering and proposed contract conditions.

**Risk management:** risks can occur at various stages in the procurement process and should be focused on both the operational consequences of non-performance and the risks to business delivery if a procurement activity does not achieve the desired value-for-money outcomes. Risks to the procurement activity should be continually monitored and managed, and new risks identified throughout the procurement cycle.

**Select tender:** a two-stage approach to the open market involving a registration/expression of interest, followed by a request for tender to a shortlist of registrants who satisfy an assessment of their capability and capacity.

---

## LINKS AND GLOSSARY

---

**Sole entity purchase contract (SEPC):** a procurement arrangement established when a sole department has a specific requirement for frequently purchased goods and services. SEPCs are mandatory contracts for the department establishing the procurement arrangement.

**Standing offer agreement (SOA):** an agreement for commonly used goods and services that provides more effective and efficient procurement. It covers a set period of time and usually requires no obligation on the State to purchase a particular quantity of goods or services from the supplier. It includes SPCs and SEPCs.

**State purchase contract (SPC):** a mandatory standing offer agreement for departments for the purchase of goods and services. The purpose of SPCs is to pursue whole of government contracts to achieve the best value-for-money outcomes, and make best use of the State's aggregated purchasing power.

**Strategic procurement plan (SPP):** a detailed plan for a proposed procurement process. It outlines the procurement strategy for major contracts and draws a strategic connection between the higher level project planning and implementation through procurement.

**Supply policies:** policies created by the VGPPB to govern procurement of goods and services by all Victorian Government departments and specified entities.

**Tender:** a document in the form of an offer to supply goods and/or services, usually submitted in response to a public or selective invitation such as an RFT.

**Tenders VIC:** the website provided by the Department of Treasury and Finance for advertising all government tenders.

**Value for money:** involves a balanced judgement of financial and non-financial factors. Typical factors include fitness for purpose, quality, whole-of-life costs, risk, environmental and sustainability issues, and price.

**Variation:** refer to *contract variation*.

**Victorian Government Purchasing Board (VGPPB):** the government entity that develops and approves procurement policies, approves major referrals for goods and services from departments, and discusses related procurement policy and practice matters.

\* Source: Adapted from Paul Rogers (2012), The Glossary, Chartered Institute of Purchasing and Supply, [www.cips.org/Knowledge/procurement-glossary/](http://www.cips.org/Knowledge/procurement-glossary/)

---

## LINKS AND GLOSSARY

---

### Acronyms and abbreviations

<b>ANZGPA</b>	Australia and New Zealand Government Procurement Agreement	<b>DTF</b>	Department of Treasury and Finance
<b>APCC</b>	Australasian Procurement and Construction Council	<b>DTLPI</b>	Department of Transport, Local Planning and Infrastructure
<b>APU</b>	Accredited purchasing unit	<b>EOI</b>	Expression of interest
<b>CPO</b>	Chief procurement officer	<b>HPV</b>	Health Purchasing Victoria
<b>CSV</b>	Court Services Victoria	<b>IPU</b>	Internal procurement unit
<b>DEECD</b>	Department of Education and Early Childhood Development	<b>MOG</b>	Machinery of government
<b>DEPI</b>	Department of Environment and Primary Industries	<b>RFQ</b>	Request for quotation
<b>DHS</b>	Department of Human Services	<b>SEPC</b>	Sole entity purchase contract
<b>DoH</b>	Department of Health	<b>SME</b>	Small and medium enterprises
<b>DOJ</b>	Department of Justice	<b>SOA</b>	Standing offer agreement
<b>DPC</b>	Department of Premier and Cabinet	<b>SPC</b>	State purchase contract
<b>DSDBI</b>	Department of State Development, Business and Innovation	<b>SPP</b>	Strategic procurement plan
		<b>VGPB</b>	Victorian Government Purchasing Board
		<b>VPS</b>	Victorian Public Service
		<b>VPSC</b>	Victorian Public Service Commission

---

---

---

This annual report is printed on Revive Laser Digital. Revive Laser Digital is Certified Carbon Neutral under the National Carbon Offset Standard (NCOS), an Australian Government initiative.

Revive Laser Digital 115–140 gsm is 100 per cent recycled and FSC® Recycled Certified. Revive Laser Digital 300 gsm is 70 per cent recycled and is FSC Mix Certified.

No bleaching occurs in the recycling process and Revive Laser Digital is manufactured in Australia by an ISO 14001 certified mill. Sales of Revive support Landcare Australia.

---

[www.procurement.vic.gov.au](http://www.procurement.vic.gov.au)

