



**V G P B**

ANNUAL REPORT

2016–17

**Victorian Government  
Purchasing Board**

Achieving excellence in  
government procurement

## **Victorian Government Purchasing Board Annual Report 2016–17**

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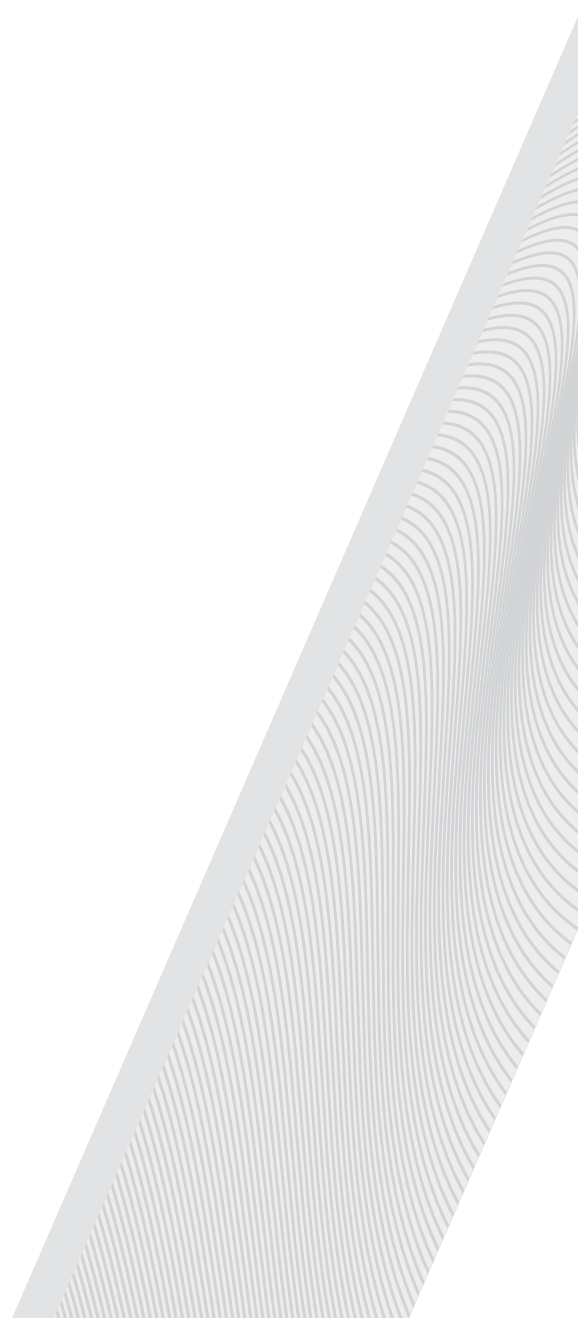
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# BETTER PROCUREMENT PRACTICE

The Victorian Government buys many goods and services throughout the year. Following best practice procurement processes ensures government buys the most suitable product or service for the best value for money. It also saves time and money, and supports a well-functioning government and a thriving Victorian community.

The Victorian Government Purchasing Board (VGPB) sets the policies that govern procurement of non-construction goods and services across all Victorian Government departments and some public bodies. VGPB policies cover end-to-end procurement activities and are underpinned by the key principles of value for money, accountability, probity and scalability.

The VGPB's activities in 2016–17 focused on progressing the five priorities in its strategic plan for the period 2016 to 2021:

- embed and enhance VGPB supply policies;
- develop and implement a procurement capability strategy across people, processes and systems;
- engage with suppliers and the market to improve doing business with the Victorian public sector;
- broaden the VGPB's impact on Victorian public sector procurement; and
- measure the benefits of the VGPB's procurement framework.

The VGPB recognises the many stakeholders affected by Victorian Government procurement and strives to work collaboratively with stakeholders to improve procurement outcomes for government and businesses across Victoria.

## ABOUT THIS REPORT

The VGPB Annual Report 2016–17 describes our work and activities between 1 July 2016 and 30 June 2017, as required by section 54M of the *Financial Management Act 1994*.

It summarises work carried out to meet our regulatory obligations and achieve our vision to provide leadership in government procurement of goods and services to deliver value-for-money outcomes for Victoria.

We report on the purchasing activity and procurement performance of the 10 mandated organisations: seven Victorian Government departments, Public Transport Victoria, VicRoads and Victoria Police.

The VGPB is a Victorian Government-owned body corporate.

As part of our commitment to sustainability, we print a limited number of copies of this report. An online version and accessible text format of this report are available from [procurement.vic.gov.au](http://procurement.vic.gov.au).

# MESSAGE FROM THE CHAIR

Procurement is a key function of the Victorian Government. Smart and efficient procurement saves money, leaving more to spend on core services such as roads, hospitals and schools for all Victorians. In 2016–17, the VGPB remained focused on our key objective to ensure value for money using best practice procurement methods.

Our framework focuses on procurement as a core business function. Organisations need appropriate governance and planning to minimise risk and engage with the market to understand the best possible approach to drive greater value for money. Every business, irrespective of size or location, is given an equal opportunity to bid for government work.

Our aim is to make it easier for both procurers and suppliers to conduct business by having a consistent and transparent approach. To support this, we have enhanced our good practice guides and templates and developed new guides to broaden the VGPB's influence across wider government.

In 2016–17, the VGPB implemented a Supplier Code of Conduct across government, supporting the Victorian Government's 2014 election commitment to ensure ethical, sustainable and socially responsible procurement. The Supplier Code was a key initiative identified in the VGPB 2016 policy review.

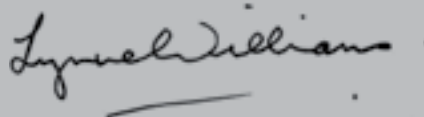
The VGPB continues to broaden its scope across government, with Public Transport Victoria gaining accreditation on 1 January 2017.

On behalf of the VGPB, I would like to express my appreciation to the Minister for Finance, Robin Scott MP, for his continued support of the VGPB's supply policies. The VGPB has enjoyed working collaboratively with in-scope organisations to deliver the Government's priorities for procurement and embed procurement reform, thus providing better procurement outcomes across government.

I would also like to thank all VGPB members for their ongoing support through what has been a challenging and busy year.

The VGPB's work this year has again been assisted by the dedication and committed work of the VGPB Secretariat in the Department of Treasury and Finance. Thank you also to all organisations' chief procurement officers (CPOs) for their commitment and support throughout the year in assisting the VGPB with embedding the supply policies and implementing the strategic priority initiatives.

Our major achievements in 2016–17 were further consolidating the new supply policies across in-scope organisations, continued simplification of the VGPB's procurement guides and implementing a Supplier Code of Conduct. A significant challenge for the future will be moving towards end-to-end procurement models.



(Dr) Lynne Williams AM  
Chair, Victorian Government Purchasing Board



# YEAR IN REVIEW

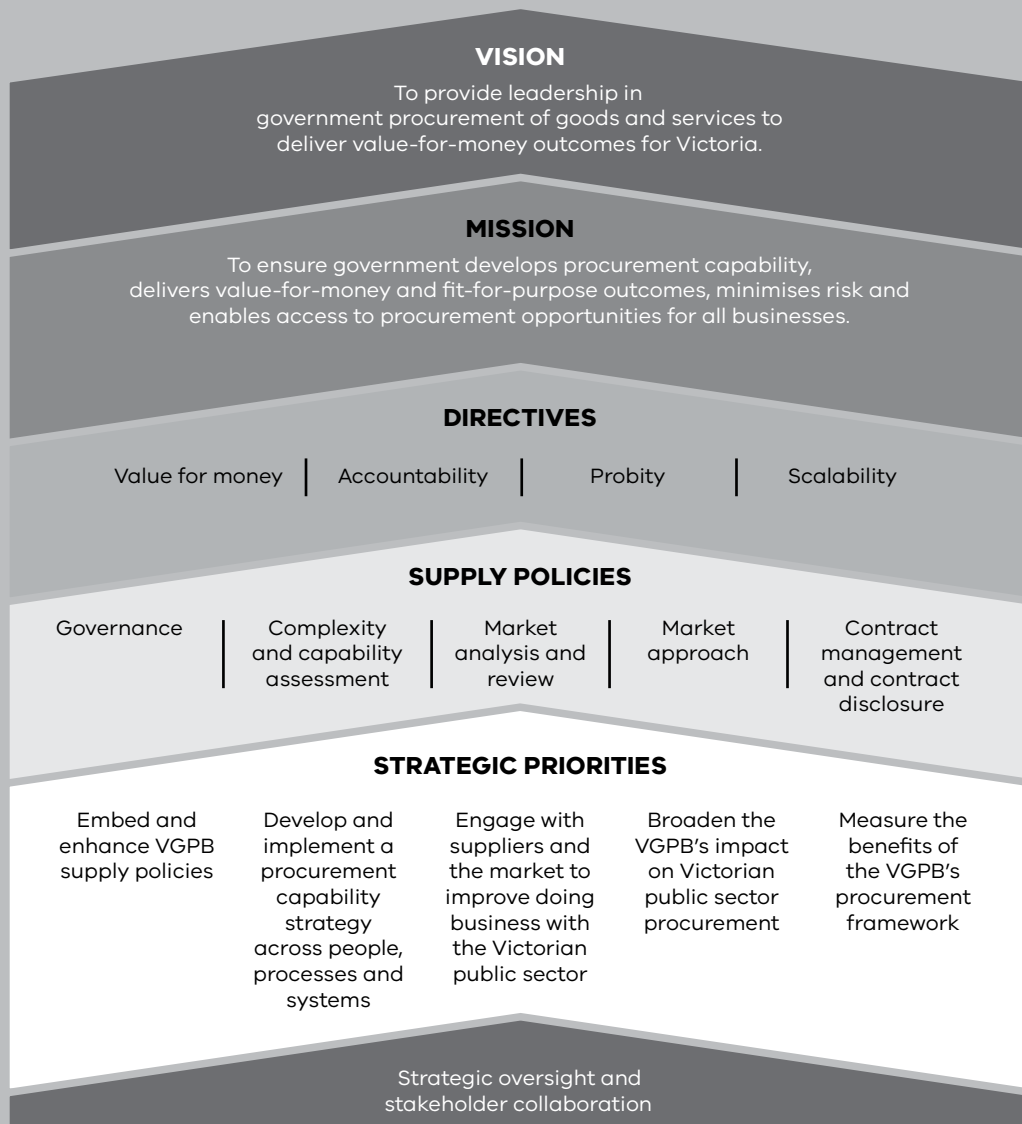
## STRATEGIC PRIORITIES IN 2016–17

In 2016–17, the VGPB began working on five strategic priorities as set out in its strategic plan for 2016 to 2021. Each priority includes initiatives to be implemented progressively over a five-year period. These priorities are underpinned by a CPO partnership model which recognises the importance of leveraging expertise and collaboration to deliver improved procurement outcomes for government.

Figure 1 provides an overview of the VGPB’s strategy for the 2016 to 2021 period.

In 2016–17, the VGPB focused on developing strategies to meet the longer-term objectives of the VGPB and implementing government priorities. Working with stakeholders, the VGPB continued to embed the procurement reform supply policies, broaden its impact on Victorian public sector procurement and initiate actions to build capability in procurement. The activities carried out under each strategic priority are summarised in the following pages.

FIGURE 1: VGPB 2016–21 STRATEGY OVERVIEW



### **Strategic priority 1: Embed and enhance VGPB supply policies**

The VGPB remains focused on embedding its supply policy framework. Over the past year, the VGPB has redeveloped much of its web content and enhanced guidance material based on stakeholder feedback. These updates clarify and communicate core goals, policies and the philosophy behind the VGPB's supply policies.

Over the coming year, the VGPB will continue to implement its strategic stakeholder engagement program with an emphasis on building relationships with suppliers and CPOs. The program will allow the VGPB to continue to scan the broader operational environment to inform future policy refinements and build on relationships.

#### **Implement the policy review communications and change management strategy**

In 2014–15, the VGPB reviewed and revised its supply policies in line with the Government's election commitments and operational feedback from departments and some public bodies. In 2016–17, the VGPB rolled out a communications and change management strategy to publicise policy changes and key initiatives broadly across the Victorian Government.

The strategy was centred around good governance, accountability and strategic planning to ensure implementation was seamless and that policies continued to drive procurement efficiencies for government.

### **Develop a Supplier Code of Conduct**

The Supplier Code of Conduct (the Code) was a key initiative identified in the VGPB policy review. The VGPB led a working group to develop the Code with comprehensive representation from the Victorian public sector, including the Independent Broad-based Anti-corruption Commission (IBAC).

The Code describes the minimum standards in ethical, sustainable and socially responsible procurement that suppliers must aspire to meet, when conducting business with, or on behalf of Government.

The Code also addresses three key IBAC recommendations from the IBAC report, *Perceptions of Corruption – Survey of Victorian Government Suppliers* (June 2016). The Code ensures suppliers are aware of how to report concerns with any part of the procurement process, understand the standards expected of public sector officials and explains why it is neither necessary nor appropriate to offer incentives to public sector officials.

The Code was launched in June 2017 and implementation is well underway.

See [procurement.vic.gov.au](http://procurement.vic.gov.au) for more information.

## PROCUREMENT IN ACTION

### Working together yields better results

In 2016, the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), Public Transport Victoria and VicRoads ran a joint tender through the Professional Advisory Services State Purchase Contract to set up a panel for ad hoc financial advisory and accounting services.

The three organisations aggregated their needs and leveraged their expenditure, increasing the volume of scope by seven times compared to DEDJTR's single requirements.

Working together led to significant financial savings for all three organisations, as well as saving time and resources by going to market once instead of three separate engagements. This also reduced the burden on suppliers in responding to the tender.

### Improve access for minority groups

The VGPB continued engaging across government on initiatives to improve access for minority groups, including providing feedback on the Victorian Government Social Procurement Policy framework, currently under development.

### Expand oversight to include state purchase contracts

The VGPB's oversight role provides organisations with independent strategic procurement advice and guidance on high-risk, complex and high-value procurements. In 2016–17, the VGPB oversight program increased with the Board providing early engagement, input and oversight on the market engagement strategy for three state purchase contracts. This was in addition to the VGPB's ongoing oversight program, reviewing a wide range of high-risk, complex procurement activities being undertaken by organisations across government.

### Take a more active role in identifying opportunities for aggregation

The VGPB is working with Strategic Sourcing in the Department of Treasury and Finance to review organisations' forward procurement activity plans to identify potential aggregation opportunities. The VGPB is uniquely positioned to carry out this review and advise government on aggregation opportunities that will drive greater procurement efficiencies and value for money.

## **Strategic priority 2: Develop and implement a procurement capability strategy across people, processes and systems**

In 2016–17, the VGPB worked with organisations to increase their capability by understanding barriers affecting their procurement development. This involved working closely with organisations to identify common and significant capability gaps and prioritise opportunities to strengthen Victorian Government procurement capability. Some of the areas identified related to agility, technology (e-procurement) and using fit-for-purpose procurement approaches.

To strengthen and support these activities, the VGPB continued to enhance existing guides, tools and templates to comply with broader government legislative requirements. The VGPB also developed new material with feedback from stakeholders including other jurisdictions to align with industry best practice and minimise duplication of effort.

In addition, the results of one of the VGPB performance measures (increase in procurement capability) will help organisations baseline and measure the success of their capability improvement efforts.

In 2017–18, the VGPB will complete its capability research and continue to work with organisations to develop a capability strategy with initiatives to improve and support organisational capability.

## **Enhance existing guidance material and develop new material**

In 2016–17, the VGPB developed a government buyer toolkit to help organisations implement the Supplier Code of Conduct. The tool kit included:

- the Supplier Code of Conduct;
- commitment letter;
- existing supplier letter;
- government buyer fact sheet;
- government buyer FAQs;
- schedule of contract changes;
- standard messaging;
- supplier fact sheet; and
- supplier FAQs.

The VGPB also updated numerous guides and contract tools to include reference to the Code.

The VGPB released guides to accreditation and alignment with the VGPB supply policy framework and worked on a guide to category management which will be released later in 2017–18.

### **Strategic priority 3: Engage with suppliers and the market to improve doing business with the Victorian public sector**

One focus of VGPB supply policies is to make it easier for suppliers to do business with Government. The policies prioritise upfront strategic planning, with organisations conducting a complexity and risk assessment and thorough market analysis to guide the path to market. Organisations publish a procurement activity plan listing their main planned procurements, giving suppliers visibility of upcoming opportunities.

#### **Develop a supplier engagement strategy**

To help suppliers identify government procurement opportunities, the VGPB developed a supplier engagement strategy. The strategy is founded on engagement with key industry supplier bodies and interest groups to discuss future policy needs. The VGPB has strengthened relationships with its public-facing counterparts such as Business Victoria and the Industry Capability Network, giving more access to suppliers and the market to improve procurement practices.

#### **Implement the Supplier Code of Conduct**

As discussed, the VGPB rolled out the new Supplier Code of Conduct and developed support materials in a toolkit released to organisations in June 2017. The VGPB will work with the industry supply bodies identified in the supplier engagement strategy to ensure suppliers are aware of their obligations under the Code.

#### **Develop a guide to supplier feedback**

The supplier satisfaction survey in 2015–16 highlighted the need for government buyers to give better quality feedback on tender submissions. In response, the VGPB revised its *Guide to supplier feedback* in consultation with probity panel providers and CPOs to ensure good practice.

The VGPB will continue to track and assess the results of its performance measure on supplier satisfaction to assess the success of its actions. The 2016–17 survey results (Year two) showed an improvement in supplier satisfaction among unsuccessful suppliers with an increase from 40 per cent in 2015–16 to 44 per cent in 2016–17. During the same period, supplier satisfaction among successful suppliers remained consistent with a marginal increase from 79.8 to 80.3 per cent.

In 2017–18, the VGPB will continue to engage organisations to identify opportunities to pilot new innovative procurement approaches for specific projects.



### **Strategic priority 4: Broaden the VGPB's impact on Victorian public sector procurement**

The VGPB is committed to continuing to improve procurement practices not only for in-scope organisations but also for the broader Victorian public sector. The VGPB published information that is available to all Victorian entities, and works with those out-of-scope entities that want to bring their goods and services spend within VGPB scope.

#### **Accredit entities to operate under VGPB supply policies**

On 1 January 2017, Public Transport Victoria (PTV) gained accreditation to operate under the VGPB supply policy framework. Their accreditation marks the end of a considerable amount of preparatory procurement work and the VGPB is confident PTV will achieve considerable benefits from implementing the framework.

In March 2017, the VGPB released a guide to obtaining VGPB accreditation. This guide helps out-of-scope organisations prepare for the VGPB process and gives them a tool to assess their readiness to accredit.

The VGPB is currently working with multiple entities to gain accreditation to the VGPB supply policies. CenITex has completed a significant amount of work and is expected to gain accreditation on 1 July 2017. WorkSafe Victoria has started their accreditation journey and is expected to gain accreditation in early 2018. In addition, the VGPB has held discussions with the Transport Accident Commission about accreditation to the VGPB supply policy framework.

#### **Develop a guide to aligning with the VGPB procurement framework**

In March 2017, the VGPB released a guide for out-of-scope entities that want to align their procurement framework with VGPB supply policies, but without being accredited. This guide supports entities that do not have the resources or overall volume of expenditure to justify transitioning to an in-scope entity. It helps them develop an appropriately aligned procurement framework with many of the same benefits as an accredited organisation.

The guide was launched at the VGPB procurement community of practice forum. The forum was opened by VGPB member, Ms Antoinette Brandi and supported by VicRoads' CPO, Mr Chris McNally and Manager of Procurement Practice and Assurance, Ms Felicity Roberts. The forum was well attended with broad representation from across the government sector.

#### **Engage other stakeholders**

The VGPB understands the importance of stakeholder engagement and continues to broaden its impact through ongoing consultation with other government procurement policymakers in Victoria and interstate. In particular, the VGPB forged a close working relationship with IBAC when developing the Supplier Code of Conduct: both parties believe this project can lift the standard of ethical, sustainable and socially responsible procurement across Victoria.

#### **Finalise strategy to broaden the scope of the VGPB**

Throughout 2017–18, the VGPB will finalise its strategy to broaden the scope of the VGPB. The strategy focuses on categorising entities into targeted groups to enable a strategic and systematic approach based on their procurement spend and complexity and risk profile. The strategy will enable the VGPB to continue to embed its supply policies across the Victorian public service.

## Strategic priority 5: Measure the benefits of the VGPB's procurement framework

### Audit compliance

The VGPB continues to monitor compliance through its rolling audit program. Every three years, each in-scope organisation audits their compliance with VGPB supply policies and submits a report to the VGPB.

The VGPB completed three audits in 2016–17 and there are a further three audits in progress. The three completed audits resulted in predominantly low-risk findings and all organisations have accepted the recommendations made to improve compliance. All findings have been actioned and are either complete or in progress. More information on audit results can be found in *Providing expert oversight and monitoring compliance*.

### Measure performance

The VGPB supply policies seek to improve the way organisations procure goods and services from the market. To understand these improvements, the VGPB continues to measure the benefits of the procurement reform.

In 2015–16, the VGPB launched a three-year performance measure implementation period. Performance measures provide a consistent reporting method across all in-scope organisations to measure the benefits of the reform over time.

Following the first reporting period, the VGPB worked with CPOs to refine the methodology for measuring and reporting on the benefits of the procurement reform framework. Minor amendments and clarifications were made to several of the measures for year two. Year two results have highlighted areas that are working well and others that still need refinement and clarification. Further refinements will be made in consultation with CPOs. More information on audit results can be found in *Providing expert oversight and monitoring compliance*.

In 2017–18, the VGPB will continue to measure the benefits of the reform as it moves into the third year of its rolling audit program and performance measures reporting.

## PROCUREMENT IN ACTION

### Fuel contract delivers benefits for VicRoads

After transitioning to the VGPB framework on 1 July 2015, VicRoads was keen to access the better pricing, terms and conditions negotiated through the various state purchase contracts (SPCs).

The SPC for fuel and associated products offers fuel cards to buy a range of fuels from petrol stations as well as bulk fuel. Using this SPC, VicRoads now distributes a single provider fuel card to all VicRoads fleet vehicles, instead of using multiple fuel cards. A secondary fuel card is only issued based on proof of demonstrated coverage requirements.

Some of the benefits of having a primary fuel card provider include simplified process for business areas (card reconciliation and usage reports), reduced administration costs and effort, increased efficiency through bulk ordering, reduced risk of card misuse and improved user experience through easy to use mobile apps to locate sites.

## CHANGES TO THE ANNUAL REPORT IN 2016–17

In this annual report, the presentation of data has been streamlined under four sections:

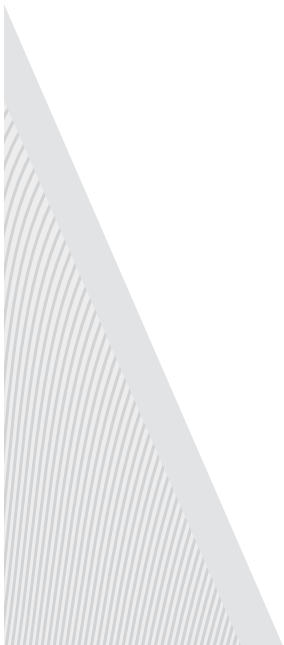
- **Procuring goods and services:**  
Contract approvals and procurement complexity data in 2016–17.
- **Harnessing the buying power of government:**  
State purchase contract and sole entity purchase contract approvals in 2016–17.
- **Providing expert oversight and monitoring compliance:** Performance measures, audit results, procurement activity subject to VGPB oversight, instances of non-compliance with VGPB supply policies, and complaints. Organisations' individual compliance activities are now listed under their organisational profile in the fourth section.
- **Organisational procurement profiles:**  
A procurement summary of each organisation, including procurement profile, a breakdown of performance measure results, activities carried out to ensure compliance with VGPB policies and activities planned for 2017–18.



The VGPB enhanced **13** guides and contract tools and released **two new** guides.



The VGPB released a **new Supplier Code of Conduct** across government





# ABOUT THE VGPB

The VGPB sets the policies that govern procurement of non-construction goods and services across all Victorian Government departments and some public bodies. VGPB policies cover end-to-end procurement activities and are underpinned by value for money, accountability, probity and scalability.

The VGPB is a Victorian Government-owned body corporate established under the *Financial Management Act 1994* (the FMA) to:

- develop, implement and review supply policies and practices;
- monitor compliance with supply policies;
- develop procurement capability;
- provide strategic oversight of major procurements; and
- engage with stakeholders to drive greater procurement efficiencies.

## VISION, MISSION AND DIRECTIVES

### 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:

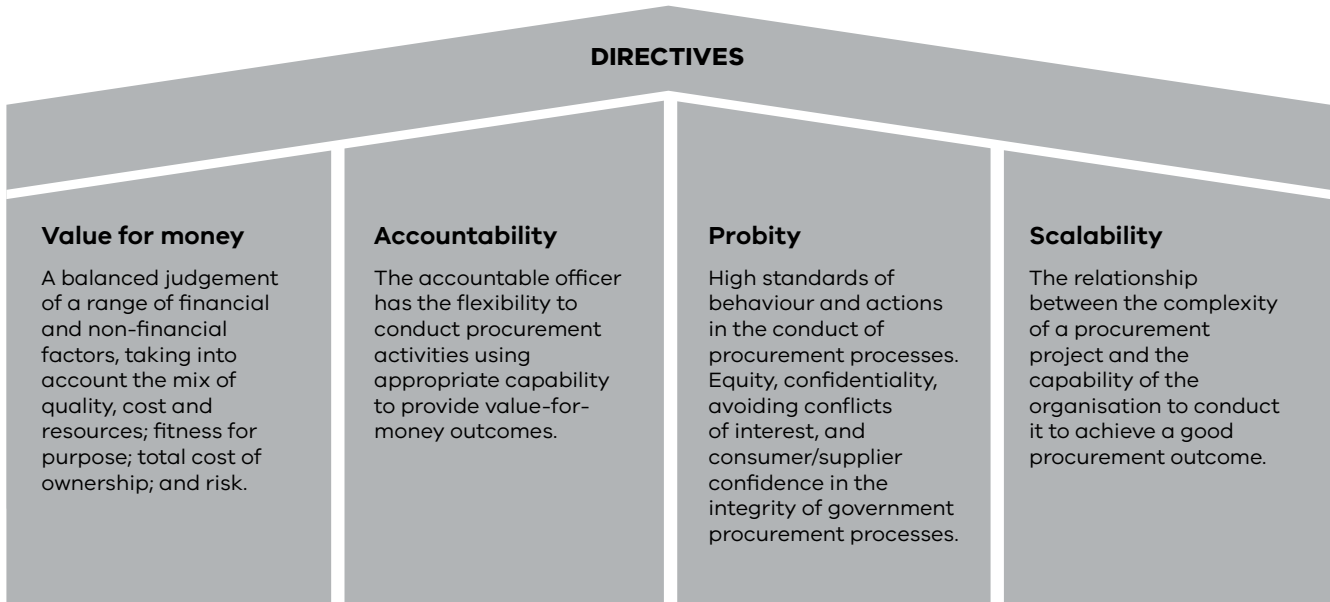
- develops procurement capability;
- delivers value-for-money and fit-for-purpose outcomes;
- minimises risk; and
- enables access to procurement opportunities for all businesses.

### Directives

The VGPB's supply policies cover end-to-end procurement activity from identifying needs, planning and market research through to contract management. Each policy is supported by good practice guides, tools and templates to ensure consistency across government.

When applying supply policies, organisations must ensure all procurement activity meets the four directives in Figure 2.

FIGURE 2: VGPB PROCUREMENT DIRECTIVES



## REPORTING RELATIONSHIP

The VGPB reports to the Minister for Finance. The Department of Treasury and Finance provides secretariat and other support to the VGPB and has a direct reporting line to the Minister for Finance on procurement and contracting issues.

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

## SCOPE OF VGPB POLICIES

VGPB supply policies apply to all Victorian Government departments and any entities specified by the Governor in Council (VicRoads and Public Transport Victoria). Public Transport Victoria was granted VGPB accreditation effective 1 January 2017.

VGPB policies also apply to the offices or bodies specified in section 16(1) of the *Public Administration Act 2004*. Offices listed in the Act report to the VGPB via their portfolio department, except for the Office of the Chief Commissioner of Police (Victoria Police), who reports directly to the VGPB.

The Victorian Public Sector Commission is also subject to VGPB policies but does not report directly to the VGPB.

For a full list of organisations bound by VGPB policies, refer to [procurement.vic.gov.au/About-the-VGPB/Scope-of-Policies](http://procurement.vic.gov.au/About-the-VGPB/Scope-of-Policies).

## VGPB MEMBERS

The VGPB consists of a chairperson and not less than six other members. Board members are selected based on experience and expertise in procurement-related matters. They can be internal or external to government.

At 30 June 2017, the VGPB had eight members including the chairperson. Six members were external appointees and two appointees were from the Victorian Government (see Table 1).

The VGPB meets every two months and held six meetings over the reporting period.



The VGPB has **eight Board members** from the public and private sectors.



Board members agreed that **2016-17** was a productive year for the VGPB.

TABLE 1: VGPB MEMBERS AT 30 JUNE 2017

TITLE	NAME	BACKGROUND AND EXPERIENCE	MEETINGS ATTENDED	APPOINTED
Chair	Dr Lynne Williams	Lynne worked in the state and federal public sectors for more than 30 years, and held several senior executive roles specialising in economic policy, primarily in central agencies. Lynne has several other Board positions including the Victorian Legal Services Board, the Victorian Building Authority, the Essential Services Commission of South Australia, and the Commonwealth Grants Commission. Lynne was made a Member of the Order of Australia (AM) in January 2017.	6 of 6	4 October 2011
External appointees	Randall Straw	Randall has more than 31 years' experience in government ICT, formerly serving as Deputy Secretary of Innovation and Technology at the former Department of Business and Innovation. He has an extensive background in technology innovation, policy, planning and implementation with Victorian public sector agencies. Randall is currently Chair of CenITex, Independent Member of the Department of Economic Development, Jobs, Transport and Resource's Investment Committee, Member of VicTrack Telecommunications Committee and Member of the Emergency Services Telecommunications Authority, ICT Committee. He was awarded the Public Service Medal in 2012.	5 of 6	1 October 2009
	Craig Rooney	Craig has more than 25 years of procurement experience in the public, private and consulting environments with demonstrated success derived through strong business management, financial management, strategic thinking, customer focus and people leadership skills. Craig is currently Regional Manager of Porter Davis Homes having initially been the Group Procurement Manager and has held several senior procurement management positions at CSR Sugar, Madison Cross Corporate Advisory and Coles Group.	4 of 6	1 October 2012

TITLE	NAME	BACKGROUND AND EXPERIENCE	MEETINGS ATTENDED	APPOINTED
External appointees (cont.)	Russell Yardley	Russell is a successful entrepreneur and business owner. He has strong governance skills and is an experienced Board member. His career focus has been on innovation, ideas strategy, business and planning in the ICT industry in particular.	6 of 6	1 July 2014
	Antoinette Brandi	Antoinette has more than 25 years' procurement experience in both the public and private sectors. Throughout her career, Antoinette has assumed many different operational management roles and delivered key procurement projects and initiatives across goods and services, mining and construction. Some of these achievements include developing procurement supply chain strategies and risk management assurance processes. In addition, Antoinette was the first female in Australia to gain fellow status at the Chartered Institute of Purchase and Supply.	4 of 6	10 October 2015
	Timothy Lyons	Timothy Lyons has extensive experience in government procurement policy and has been a member of numerous public and private boards. In addition, Timothy has held many directorships and has gained expertise in the areas of industrial relations, financial services, public policy, governance and risk management, not-for-profit management and communications advocacy.	5 of 6	10 October 2015
Government appointees	Marisa De Cicco	Marisa is the Acting Deputy Secretary, Emergency Management at the Department of Justice and Regulation and Acting Chief Executive, Emergency Management Victoria. Marisa has experience in policy advice and development, formulation of strategy and legislation, procurement and contracting.	6 of 6	1 October 2003
	Leanne Price	Leanne brings more than 20 years' government procurement experience in the construction sector to the VGPB. During her 12-year career with the Department of Health and Human Services, Leanne has been responsible for the long-term planning, development and implementation of the health capital program, including oversight of the largest public hospital developments in Victoria's history. She also has significant public transport experience, including developing Southern Cross Station.	5 of 6	1 July 2016

## VGPB ANNUAL ASSESSMENT

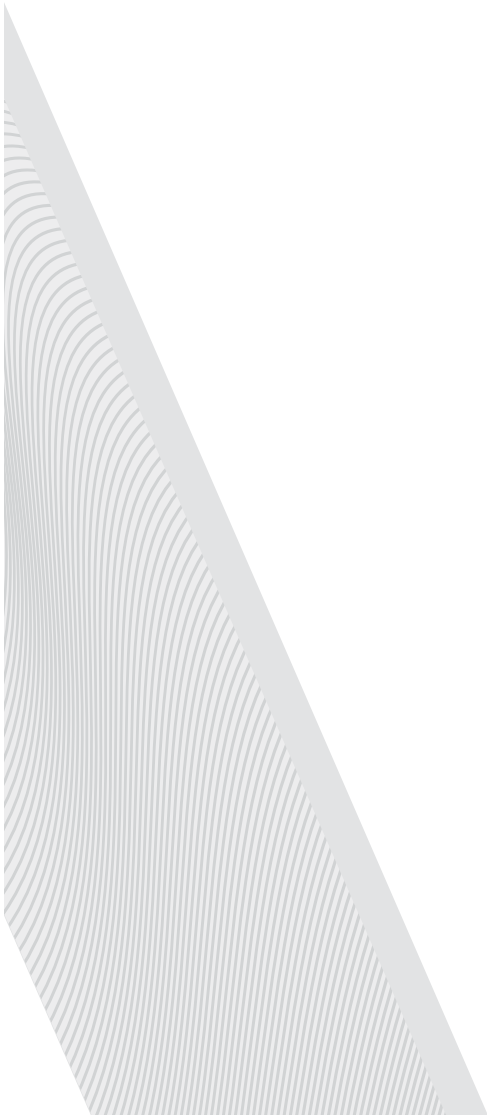
As part of its commitment to continuous improvement, the VGPB assesses its performance over the previous financial year.

The assessment in 2016–17 has again shown the VGPB continues to fulfil its legislative functions, with a focus on greater engagement with senior stakeholders to build relationships and monitor compliance with its supply policies.

The VGPB is in the second year of its five-year strategic plan and its work in 2016–17 focused on the strategic priorities outlined in this plan.

In June 2017, the VGPB delivered on the Government's 2014 election commitment to establish a Victorian Government Supplier Code of Conduct applicable to procurement of goods and services and construction works and services across the general government sector. The Code is designed to lift the standard of ethical, sustainable and socially responsible procurement across Victoria.

The VGPB acknowledged that 2016–17 was a productive year and the mix of skills, attitudes and experience on the Board allows for constructive and effective discussions at meetings.



# PROCURING GOODS AND SERVICES

The VGPB recognises procurement as a core business function. VGPB supply policies cover the whole procurement lifecycle and are underpinned by high levels of probity, accountability and flexibility, with a strong focus on value for money, more interactive engagement with the market and productivity improvements.

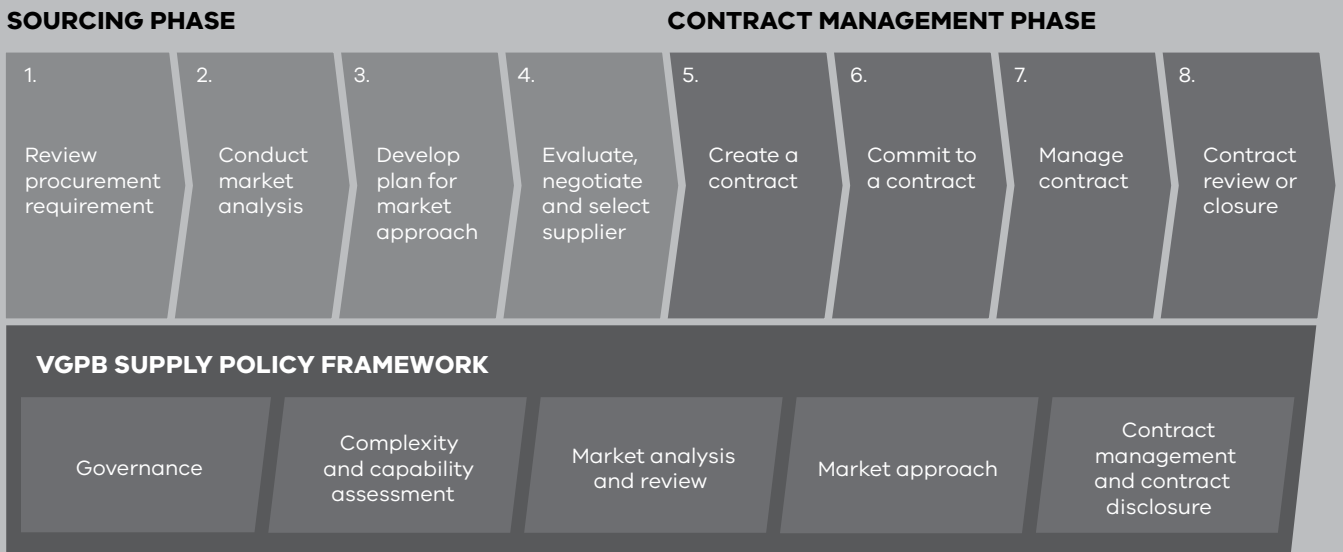
Organisations operating under VGPB policy use a complexity and risk-based model. Organisations adopt a procurement governance framework scaled to match their procurement profile, while ensuring they have sufficient capability to conduct their procurements.

Good procurement ensures government uses public money responsibly; procuring the required goods and services at the right price to deliver value-for-money outcomes.

The VGPB's five policies cover governance and end-to-end procurement activity from identifying needs, planning and market research through to contract management.

Each policy is supported by good practice guides, tools and templates to ensure consistency across government. Figure 3 illustrates the end-to-end procurement process.

FIGURE 3: END-TO-END PROCUREMENT PROCESS



## ABOUT THE DATA IN THIS REPORT

The 10 mandated organisations (seven government departments, Public Transport Victoria, VicRoads and Victoria Police) provide data for the completed financial year as part of their annual supply reports.

Organisations report on contracts for goods and services (non-construction) valued over \$100 000 (including goods and services tax) and approved in 2016–17. Reporting relates to approved contract values rather than actual contract spend. Contracts typically extend over several years and the total estimated contract value reflects the life of the contract, not the estimated annual spend. Total estimated contract spend also includes any options to extend the contract.

Contract types include one-off supply contracts

and aggregated purchasing contracts (sole entity purchase contracts and state purchase contracts). Aggregated purchasing demand is grouping together demand for commonly purchased goods and services to harness greater economies of scale when procuring from the marketplace.

Table 2 lists the three contract types and their reporting requirements.

All figures in the tables and text in the annual report have been rounded. Discrepancies in tables between totals and sums of components reflect this rounding.

TABLE 2: CONTRACT TYPES REPORTED IN THE VGPB ANNUAL REPORT

CONTRACT TYPE	CONTRACT DESCRIPTION	MINIMUM REPORTING VALUE	VGPB REPORTING STAGE
One-off supply	A single purchase of a specific quantity of goods or services that has been subject to a discrete quotation or tender process.	\$100 000 (incl. GST)	Contract approval
Sole entity purchase contract (SEPC)	An aggregated arrangement established for one organisation or a business unit/group of business units within an organisation. SEPCs are mandatory for the organisation establishing the arrangement.	\$100 000 (incl. GST)	Contract approval
State purchase contract (SPC)	An aggregated arrangement for the purchase of goods and services for use by mandated Victorian Government departments and agencies. Other agencies can access the SPC if they agree to the rules of use.	\$100 000 (incl. GST)	Business case approval



## OVERVIEW OF CONTRACT APPROVALS

In 2016-17, organisations reported 1 005 procurement approvals valued at \$2 084 million, as shown in Table 3.

TABLE 3: TOTAL NUMBER AND VALUE (\$ MILLION) OF ONE-OFF SUPPLY, SEPC AND SPC APPROVALS IN 2016-17 BY GOODS AND SERVICES

	ONE-OFF SUPPLIES		SEPCS		SPCS		TOTALS	
	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)
Goods	137	170.8	21	45.2	4	66.3	162	282.3
Services	815	967.0	24	492.0	4	342.5	843	1 801.5
Totals	952	1 137.7	45	537.2	8	408.8	1 005	2 083.8

Most contract approvals were for one-off supplies (94.7 per cent), followed by SEPCs (4.5 per cent) and lastly, SPCs (0.8 per cent). In terms of value, one-off supplies were equivalent to 54.6 per cent of the total value of approved contracts, followed by SEPCs at 25.8 per cent and SPCs at 19.6 per cent. The difference in proportions between numbers and values is because SEPCs and SPCs generally have higher estimated contract values and usually span multiple years.

Most procurement contract approvals were for services (85.6 per cent).

### Trends in contract approvals

Table 4 shows the number and value of contract approvals over the past four years.

The number and value of contract approvals has shown an upward trend over the past four years, although the total value in 2016-17 is 13 per cent lower than in 2015-16.

The increase over time can be partly attributed to bringing more organisations under the scope of the VGPB, with VicRoads reporting from 1 July 2015 and PTV from 1 January 2017 following their successful accreditation to VGPB supply policies.

In addition, the number and value of SEPC and SPC approvals will vary from year to year based on the specific procurement projects that need to be carried out in any given year, and/or the expiry and need for renewal of particular SEPCs and SPCs.

TABLE 4: TOTAL NUMBER AND VALUE (\$ MILLION) OF ONE-OFF SUPPLY, SEPC AND SPC APPROVALS FROM 2013–14 TO 2016–17

	2013–14		2014–15		2015–16		2016–17	
	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)
One-off supplies	573	735.5	630	692.3	743	915.5	952	1 137.7
SEPCs	29	93.2	37	270.9	37	778.8	45	537.2
SPCs	5	114.8	6	658.6	10	720.6	8	408.8
Totals	607	943.5	673	1 621.9	790	2 414.9	1 005	2 083.8

Note: The increase in one-off supply approvals in 2016–17 compared to previous years can be partly attributed to the increase in organisations reporting to the VGPB, better data capture and yearly variations in SEPC and SPC contract approvals.

## ONE-OFF SUPPLY CONTRACTS

In 2016–17, organisations reported 952 one-off supply procurement approvals valued at \$1 138 million. Overall, 14 per cent of one-off supply approvals were for procurement of goods and 86 per cent for services.

This compares to 743 one-off supply approvals in 2015–16 valued at \$916 million.

Table 5 shows the number and value of one-off supply approvals by organisation and by goods and services.

TABLE 5: ONE-OFF SUPPLY APPROVALS BY ORGANISATION AND BY GOODS AND SERVICES IN 2016–17

ORGANISATION	GOODS		SERVICES	
	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)
Economic Development, Jobs, Transport and Resources	81	93.3	153	148.9
Education and Training	17	22.9	171	89.3
Environment, Land, Water and Planning	4	0.8	104	48.4
Health and Human Services	2	3.4	136	511.4
Justice and Regulation	22	33.3	65	28.1
Premier and Cabinet	3	1.3	80	36.1
Public Transport Victoria	..	..	16	3.3
Treasury and Finance	..	..	28	7.3
VicRoads	1	0.2	53	88.4
Victoria Police	7	15.7	9	5.7
Totals	137	170.8	815	967.0

Note: Discrepancies between totals and sums of totals reflect rounding.

## PROCUREMENT COMPLEXITY

Procurement complexity refers to the level of difficulty involved in procuring a good or service. An assessment of complexity considers a broad range of factors including risk, total cost of ownership and market dynamics associated with the procurement activity.

When buying goods and services, organisations complete a complexity assessment and categorise procurements into one of four complexity quadrants (Table 6). The quadrant guides the sourcing strategy and how to manage risks and contractual arrangements.

TABLE 6: DESCRIPTION OF COMPLEXITY QUADRANTS

QUADRANT	DESCRIPTION
Transactional	Low-value and low-risk transactions where approved suppliers (e.g. SPCs) are not available.
Leveraged	Frequently used goods/services in a competitive marketplace that are procured by an individual organisation or whole of government, where the organisation has the ability to drive value.
Focused	Goods/services where a limited number of suppliers are available or where novel commercial arrangements are in place. May include whole of government contracts.
Strategic	Goods/services in a competitive market that are high value, where business criticality is high, and/or where the good/service is of state significance. May include whole of government contracts.

## Overview of complexity

The VGPB's supply policies require better upfront planning, category management and detailed market analysis. Organisations identify the best approach to market for any given category while also identifying opportunities to aggregate demand for frequently used goods and services procured from a competitive marketplace, giving them more buying power to drive value for money.

Table 7 shows the complexity assessment results for the one-off supply, SEPC and SPC approvals reported in 2016-17.

TABLE 7: ONE-OFF SUPPLY, SEPC AND SPC APPROVALS BY COMPLEXITY QUADRANT IN 2016-17

TYPE OF COMPLEXITY	NUMBER	VALUE (\$M)	AVERAGE VALUE PER CONTRACT (\$M)
Transactional	463	246.2	0.5
Leveraged	245	530.9	2.2
Focused	125	119.8	1.0
Strategic	172	1 186.8	6.9
Totals	1 005	2 083.8	2.1

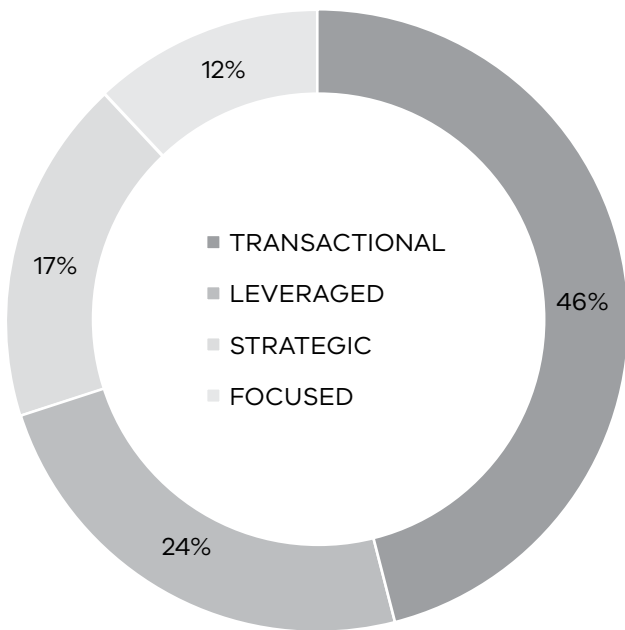
Note: The total average value reflects total value divided by total number and not the sum of the average value components. Strategic procurements are generally higher in value due to their risk and complexity profile.

### Number of procurement approvals by complexity quadrant

Most procurement approvals were assessed as transactional (46 per cent) followed by leveraged (24 per cent). Strategic was 17 per cent and focused 12 per cent (see Figure 4).

This compares with 39 per cent leveraged, 31 per cent transactional, 17 per cent focused and 13 per cent strategic in 2015–16.

FIGURE 4: NUMBER OF CONTRACT APPROVALS BY COMPLEXITY QUADRANT IN 2016–17



### Number of complexity quadrants by organisation

Table 8 shows a breakdown of complexity quadrants by number and organisation giving an insight into the procurement profile of each organisation.

TABLE 8: COMPLEXITY QUADRANTS (NUMBER) BY ORGANISATION IN 2016–17

ORGANISATION	TRANSACTIONAL	LEVERAGED	FOCUSED	STRATEGIC	TOTALS
Economic Development, Jobs, Transport and Resources	150	28	34	22	234
Education and Training	50	118	14	7	189
Environment, Land, Water and Planning	81	..	24	14	119
Health and Human Services	4	27	1	109	141
Justice and Regulation	26	23	36	2	87
Premier and Cabinet	80	3	2	5	90
Public Transport Victoria	3	1	4	8	16
Treasury and Finance	28	1	..	..	29
VicRoads	12	42	..	..	54
Victoria Police	29	2	10	5	46
Totals	463	245	125	172	1 005

### Value of procurement approvals by complexity quadrant

In 2016-17, the strategic quadrant had the highest total value of the four complexity quadrants at 57 per cent. This is an increase from 2015-16, where strategic was the second highest value quadrant at 35 per cent.

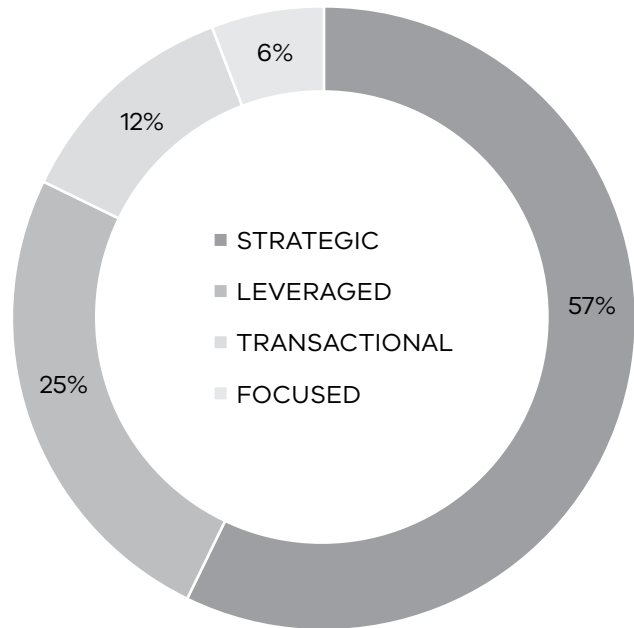
Leveraged was second highest at 25 per cent, compared to 48 per cent in 2015-16.

Transactional and focused remained consistent with 2015-16. Focused was the lowest with 6 per cent of the total value, compared to 5 per cent last year. This would be expected given that the focused quadrant is for procurements where a limited number of suppliers are available or where novel commercial arrangements are in place.

The transactional quadrant had 12 per cent of the value of all procurement approvals, which is the same as 2015-16.

Figure 5 shows the breakdown in complexity quadrants by value in 2016-17.

FIGURE 5: VALUE OF CONTRACT APPROVALS BY COMPLEXITY QUADRANT IN 2016-17.



## Trends in procurement complexity

Table 9 compares 2016–17 complexity quadrants with the two previous years. As noted, the number and value of procurements have generally increased over the past three years.

Strategic procurements increased in number and value in 2016–17, which could indicate organisations are taking a more strategic approach to procurement.

Transactional activity has increased as procurement functions mature and their processes capture more activities.

TABLE 9: TRENDS IN PROCUREMENT COMPLEXITY

TYPE OF COMPLEXITY	2014–15		2015–16		2016–17	
	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)
Transactional	149	109.6	241	275.2	463	246.2
Leveraged	208	240.1	312	1 164.9	245	530.9
Focused	112	62.4	135	126.8	125	119.8
Strategic	107	954.3	102	848.0	172	1 186.8
Totals	576	1 366.5	790	2 414.9	1 005	2 083.8

Note: Discrepancies between totals and sums of totals reflect rounding.

Tables 10 to 13 show how the number of procurements in each complexity quadrant have changed for each organisation over the past three years. VicRoads began operating under the VGPB policies on 1 July 2015 and PTV on 1 January 2017 so neither provided data before these dates.

TABLE 10: NUMBER OF TRANSACTIONAL PROCUREMENTS BY ORGANISATION FROM 2014–15 TO 2016–17

ORGANISATION	2014–15	2015–16	2016–17
Economic Development, Jobs, Transport and Resources	4	30	150
Education and Training	3	7	50
Environment, Land, Water and Planning	11	75	81
Health and Human Services	9	3	4
Justice and Regulation	25	18	26
Premier and Cabinet	54	27	80
Public Transport Victoria	n/a	n/a	3
Treasury and Finance	18	25	28
VicRoads	n/a	20	12
Victoria Police	25	36	29
Totals	149	241	463

TABLE 11: NUMBER OF LEVERAGED PROCUREMENTS BY ORGANISATION FROM 2014-15 TO 2016-17

ORGANISATION	2014-15	2015-16	2016-17
Economic Development, Jobs, Transport and Resources	17	1	28
Education and Training	170	217	118
Environment, Land, Water and Planning	2	5	..
Health and Human Services	9	10	27
Justice and Regulation	3	15	23
Premier and Cabinet	2	4	3
Public Transport Victoria	n/a	n/a	1
Treasury and Finance	..	1	1
VicRoads	n/a	57	42
Victoria Police	5	2	2
Totals	208	312	245

TABLE 12: NUMBER OF FOCUSED PROCUREMENTS BY ORGANISATION FROM 2014-15 TO 2016-17

ORGANISATION	2014-15	2015-16	2016-17
Economic Development, Jobs, Transport and Resources	50	40	34
Education and Training	21	30	14
Environment, Land, Water and Planning	3	28	24
Health and Human Services	..	2	1
Justice and Regulation	25	24	36
Premier and Cabinet	..	1	2
Public Transport Victoria	n/a	n/a	4
Treasury and Finance	5	..	..
VicRoads	n/a	..	..
Victoria Police	8	10	10
Totals	112	135	125

TABLE 13: NUMBER OF STRATEGIC PROCUREMENTS BY ORGANISATION FROM 2014–15 TO 2016–17

ORGANISATION	2014–15	2015–16	2016–17
Economic Development, Jobs, Transport and Resources	3	3	22
Education and Training	..	..	7
Environment, Land, Water and Planning	2	6	14
Health and Human Services	97	83	109
Justice and Regulation	3	6	2
Premier and Cabinet	1	..	5
Public Transport Victoria	n/a	n/a	8
Treasury and Finance	0	4	..
VicRoads	n/a	..	..
Victoria Police	1	..	5
Totals	107	102	172

## CRITICAL INCIDENT PROCUREMENT

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

Three critical incident procurements were reported in 2016–17 as shown in Table 14. There were four critical incident procurements reported in 2015–16, valued at \$0.9 million.

TABLE 14: CRITICAL INCIDENT PROCUREMENT IN 2016–17

	NUMBER	VALUE (\$M)
Goods	..	..
Service	3	5.7
Total	3	5.7

Two critical incidents were reported by the Department of Environment, Land, Water and Planning related to hiring a replacement fleet to respond to fire incidents.

The Department of Economic Development, Jobs, Transport and Resources reported one critical incident procurement related to provision of security.



# HARNESSING THE BUYING POWER OF GOVERNMENT

By combining demand for common use goods and services, organisations can harness greater economies of scale when negotiating with potential suppliers.

Aggregating purchasing power allows organisations to negotiate lower prices and better terms and conditions and reduces the administrative burden on buyers and suppliers.

The Victorian Government has set up 46 SPCs for commonly purchased goods and services under 22 spend categories, as shown in Figure 6.

All government organisations and agencies can access SPCs provided they commit to the rules of use. For organisations bound by VGPB policies, SPCs are usually mandatory unless the lead department grants a written exemption.

More than 200 organisations benefit from the time and cost savings offered by SPCs. Organisations that can access SPCs include Victorian Government departments and agencies, local and federal government organisations and not-for-profit organisations.

Total annual spend under SPCs is estimated to be more than \$1.3 billion.

The Department of Treasury and Finance (DTF) manages non-ICT goods and services SPCs, except for the legal services SPC, which is managed by the Department of Justice and Regulation. The Department of Premier and Cabinet (DPC) is responsible for ICT SPCs.

In 2017–18, the VGPB will continue to build on its role to help organisations identify new opportunities for aggregation. This will be done through quarterly SPC reporting and a review of organisations' forward looking procurement activity plans, as well as data gathered from annual supply reports. These mechanisms will enable the VGPB to support both DTF and DPC in identifying additional opportunities for aggregation to drive greater value-for-money outcomes.

SPCs can be sole or multiple (panel) supplier arrangements or register arrangements. Panels can be open or closed. Open panels can accept new suppliers at set or other times during the contract period. Closed panels are restricted to the suppliers engaged at the start of the contract.

Registers consist of prequalified suppliers, compliant with the eligibility criteria to provide goods and services to Victorian Government.

## About the data in this section

The contract values in the tables are estimates. Expenditure occurs as organisations order and consume goods and services under the SPC/SEPC. This takes place over the contract term. Total estimated value includes the initial contract term, including any options to extend the contract.

FIGURE 6: VICTORIAN GOVERNMENT SPC CATEGORIES





**MARKETING SERVICES**



**MASTER AGENCY MEDIA SERVICES (MAMS)**



**MOTOR VEHICLES**



**POSTAL SERVICES**



**PRINT MANAGEMENT SERVICES**



**PROFESSIONAL ADVISORY SERVICES**



**SECURITY SERVICES**



**STAFFING SERVICES**



**STATIONERY & WORKPLACE CONSUMABLES**



**TRAVEL MANAGEMENT SERVICES**

## STATE PURCHASE CONTRACTS

In 2016–17, eight SPCs were approved with an estimated total value of \$409 million. This compares to 10 SPCs with an estimated total value of \$721 million approved in 2015–16.

Table 15 provides a breakdown of all SPCs approved in 2016–17.

TABLE 15: SPCS APPROVED IN 2016–17

ORGANISATION	TOTAL NUMBER	TITLE/DESCRIPTION	TOTAL ESTIMATED VALUE (\$ MILLION)	CONTRACT TERM (YRS.)	OPTIONS (YRS.)	COMPLEXITY ASSESSMENT OUTCOME	MARKET APPROACH METHOD	TYPE OF ARRANGEMENT	NO. OF SUPPLIERS
Premier and Cabinet	7	eServices Register Platform Refresh	0.9	3	Up to 2 years	Strategic	EOI	Open	1
		IBM Enterprise Licence Agreement	2.7	1	..	Leveraged	RFQ	Closed	1
		VMware Reseller	2.7	1	..	Leveraged	RFT	Closed	1
		Salesforce Customer Relationship Management	15.0	3	3	Focused	RFQ	Closed	1
		Data Centre (East Burwood) Services Hewlett-Packard	47.5	5	..	Strategic	RFQ	Closed	1
		Microsoft Large Account Reseller	60.0	3	..	Leveraged	RFQ	Closed	1
		TPAMS2025	200.0	3	Ongoing	Strategic	RFT	Closed	7
Treasury and Finance	1	Travel Management Services SPC	80.0	3	2 x 1 year	Leveraged	RFT	Closed	1
<b>Total</b>	<b>8</b>		<b>408.8</b>						

EOI = Expression of interest, RFQ = Request for Quotation, RFT = Request for tender

## PROCUREMENT IN ACTION

### Negotiating more savings with ICT SPCs

DPC is responsible for managing ICT SPCs. The department developed several new SPCs in 2016-17, delivering better value for money and meeting the VGPB's procurement directives.

The TPAMS2025 program saw the establishment of five new telecommunications contracts in February 2017 resulting in significant pricing improvements and financial savings. This has led to considerable interest from local government and government-funded bodies in the not-for-profit sector, who are keen to access better pricing and terms and conditions under this SPC.

The Salesforce SPC is a cloud-based infrastructure platform with a much higher standardised discount structure. The State has already saved more than \$400 000 (net) in the first three months of operation since 1 February 2017.

A new SPC was implemented with the company, Data#3 following a formal tender process to select the sole Microsoft-licensed solutions service provider on 1 October 2016. The scope also includes a fully managed Microsoft software asset management service.

The Microsoft enterprise agreement (EA) was renewed on 1 April 2017. The EA covers all Microsoft on-premise and cloud products as well as a secure productive environment, which gives users a higher level of security. The EA provides substantial discounts and other benefits, with estimated savings well above \$13 million a year.

The VMware SPC and enterprise licence agreement was renewed in June 2017. Aggregating the State's server virtualisation assets into a single agreement allowed the negotiation of discounts, resulting in \$3.6 million in savings in 2017.

The eServices Register established on 1 June 2017 gives ICT suppliers an effective mechanism to market their services by providing a marketplace through the VendorPanel platform sourced from the eProcurement SPC. In its first weeks of operation, VendorPanel has already guided an estimated \$20 million worth of ICT projects.

## SOLE ENTITY PURCHASE CONTRACTS

Sole entity purchase contracts (SEPCs) are similar to SPCs but apply to one organisation. In 2016–17, four organisations reported 45 SEPC approvals valued at \$537 million, as listed in Table 16.

Roughly half were for goods (47 per cent) and half for services (53 per cent), although the share of the total value of goods was much lower (8 per cent) than services (92 per cent).

This compares to 37 SEPCs approvals in 2015–16 valued at \$779 million of which 62 per cent were for goods and 38 per cent for services, with goods accounting for 15 per cent and services for 85 per cent.

A breakdown of SEPC contracts approved in 2016-17 is provided in Table 43 in the Appendix.

TABLE 16: SEPCS APPROVED IN 2016–17

ORGANISATION	GOODS		SERVICES	
	NUMBER	VALUE (\$M)	NUMBER	VALUE (\$M)
Education and Training	..	..	1	75.0
Environment, Land, Water and Planning	2	1.0	9	25.0
Health and Human Services	2	10.0	1	0.3
Victoria Police	17	34.2	13	391.7
Total	21	45.2	24	492.0



In 2016–17, **eight SPCs** were approved with an estimated total value of \$409 million.



In 2016–17, four organisations reported **45 SEPC approvals** valued at \$537 million.

# PROVIDING EXPERT OVERSIGHT AND MONITORING COMPLIANCE

Under the FMA, organisations must comply with VGPB supply policies when procuring goods and services. The VGPB monitors compliance through the mechanisms listed in Table 17.

TABLE 17: MECHANISMS FOR MONITORING COMPLIANCE WITH VGPB PROCUREMENT POLICIES

COMPLIANCE MECHANISM	DETAILS
Annual supply reports (ASRs)	Organisations submit an ASR to the VGPB at the end of each financial year summarising their procurement activity, performance measure results, actions taken to ensure compliance and instances of non-compliance.
Performance measures	Organisations monitor performance against six common performance measures and report results in their ASR.
Audit program	Organisations audit compliance with VGPB policies and submit an audit report to the VGPB once every three years.
Oversight of strategic procurements	Organisations can nominate certain strategic procurements for VGPB oversight. The VGPB can also identify specific procurements for oversight.
Complaints management	Organisations maintain a complaints management system for supplier complaints related to the process and probity applied during a procurement activity. Organisations provide details of complaints in their ASR.
Review of procurement activity plans	Organisations submit procurement activity plans every year for review by the VGPB.

## PERFORMANCE MEASURES

Performance measures provide a consistent, quantifiable approach to measuring reform benefits. Performance measures are being implemented over a three-year period, starting in 2015–16. Year one results and data capture methods informed discussions with CPOs to refine the methodology for reporting in year two (2016–17). A summary of year two results are shown in Table 18. Some inconsistencies were identified related to applying performance measure one. This will be refined with CPOs before year three reporting.

As organisations progress with their data capture capability in year three (2017–18), full performance measure reporting with an established baseline to measure the benefits of the procurement reform will be possible. Refer to Table 23 in the next section for the methodology used to calculate results.

More information on organisational performance including a comparison with last year's results can be found under each of the organisational profiles in the next section.

TABLE 18: PERFORMANCE MEASURE RESULTS IN 2016–17 BY ORGANISATION

PERFORMANCE MEASURE		DEDJTR	DET	DELWP	DHHS	DJR	DPC	PTV	DTF	VICROADS	VICTORIA POLICE
1	Value created as a consequence of department procurement activity (%)	..	2.0	..	0.2	0.4	39.2	n/a	21.5	17.0	18.9
2	Proportion of the number of transactions at or below \$2 000 through a P-Card or equivalent (%)	29.9	4.3	19.7	12.3	10.4	.. <sup>a</sup>	n/a	19.1	72.9	3.0
3	Increase in procurement capability (%) <sup>b</sup>	..	0.0	13 <sup>c</sup>	6.6	..	..	n/a	..	1.0	(-11.4) <sup>d</sup>
4	Cost of department's procurement resources as a percentage of total contract spend (%)	0.2	0.8	0.03	0.7	3.8	1.2	n/a	0.3	1.7	2.4
5	Supplier satisfaction assessment (% successful satisfied / % unsuccessful satisfied)	90/46	78/50	82/37	82/53	70/50	73/36	n/a	67/50	88/25	86/0 <sup>e</sup>
6	Planned procurement activity as a percentage of actual procurement activity (%)	29.3	31.7	63.2	5.7	10.6	50.0	25	60.5	42.5	85.2

Note: PTV gained accreditation on 1 January 2017 so could not provide performance results for the year.

<sup>a</sup> DPC does not use P-Cards or equivalent.

<sup>b</sup> All organisations measured procurement capability in 2016–17 but several did not in 2015–16, so could not measure the increase from the previous financial year. Figures will be available for 2017–18.

<sup>c</sup> DELWP used its own internal capability tool for self-assessment by staff engaged in procurement.

<sup>d</sup> Victoria Police measured a decrease in capability due to a broader organisational assessment in 2016–17. Victoria Police has identified several areas with opportunities to increase capability. For more information, refer to the Victoria Police procurement profile in the next section.

<sup>e</sup> Victoria Police had a low sample size.



## AUDITS

The VGPB has a three-year rolling audit program to:

- verify compliance with VGPB supply policies;
- minimise risks; and
- improve processes to drive better procurement outcomes.

The audit measures how well organisations 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.

Victoria Police, the Department of Premier and Cabinet and the Department of Education and Training all completed their VGPB audits in 2016-17. The three completed audits resulted in mostly low-risk findings and all organisations have accepted the recommendations made to improve compliance. Implementation of recommendations is either complete or in progress.

Table 19 lists the audit program schedule and results to date. For more information on specific audit findings, refer to the relevant organisation's procurement profile in the next section.



The VGPB has completed **four audits** since the audit program began in 2016.



**Three more audits** are underway and will be completed by the end of 2017.

TABLE 19: AUDIT PROGRAM SCHEDULE AND RESULTS AS AT 30 JUNE 2017

AUDIT YEAR	ORGANISATION	STATUS	RESULT	YEAR OF COMPLETION (FINANCIAL YEAR)
2016	Treasury and Finance	Complete	Two low-risk findings and two recommendations. The recommendations have been fully implemented.	2015–16
	Victoria Police	Complete	Four low-risk findings and eight recommendations. The recommendations have been fully implemented.	2016–17
	Premier and Cabinet	Complete	One low-risk finding, one moderate risk finding and four recommendations. Implementation of recommendations is in progress.	2016–17
	Education and Training	Complete	Six low-risk findings and six recommendations. Four recommendations have been fully implemented and two are in progress.	2016–17
2017	Health and Human Services	In progress	Audit is underway and due to be finalised late 2017.	
	Environment, Land, Water and Planning	In progress	Audit is underway and due to be finalised late 2017. At the department's request, the audit was brought forward from 2018 to 2017.	
	Economic Development, Jobs, Transport and Resources	In progress	Audit is underway and due to be finalised September 2017.	
2018	Justice and Regulation	N/a	Audit has not yet started but has been rescheduled from 2017 to early 2018.	
	VicRoads	N/a	Not yet started.	
	Public Transport Victoria	N/a	Not yet started.	
	CenITex	N/a	Not yet started.	

## PROCUREMENT ACTIVITY SUBJECT TO VGPB OVERSIGHT

The VGPB reviews specific procurement activities for process and probity oversight. Procurement oversight projects typically run across multiple years.

Organisations can nominate certain strategic procurements for VGPB oversight and the VGPB can also identify specific procurements for oversight. Oversight projects are considered to be of strategic importance to the State. The VGPB reviews these projects at key stages of the procurement process and gives recommendations for organisations to action.

The oversight process covers one or more of the following three stages of the procurement process:

- Stage 1: Planning;
- Stage 2: Before contract execution; and
- Stage 3: Contract management.

The VGPB actively managed 14 oversight projects during 2016–17 as listed in Table 20. This table does not reflect approval timing of contractual value and total estimated value is not disclosed for contracts in Stage 1 due to commercial sensitivity.

TABLE 20: PROCUREMENT ACTIVITIES SUBJECT TO VGPB OVERSIGHT IN 2016–17

ORGANISATION	TOTAL NUMBER	TOTAL ESTIMATED VALUE (\$ MILLION)	TITLE/ DESCRIPTION	GOOD/ SERVICE	COMPLEXITY ASSESSMENT OUTCOME	PROPOSED MARKET APPROACH STRATEGY	OVERSIGHT STAGE
Economic Development, Jobs, Transport and Resources	1	Not disclosed	CarbonNet - Offshore Appraisal Well	Service	Strategic	RFT	Stage 1
Health and Human Services	2	24.5	Records Management and Storage	Service	Leveraged	RFT	Stage 3
		Not disclosed	Personal Alert Victoria	Service	Strategic	RFT	Stage 1
Justice and Regulation	1	Not disclosed	Facilities Maintenance Contract	Service	Focused	EOI/Select RFT	Stage 1
Premier and Cabinet	2	200.0	Telecommunications Purchasing and Management Strategy (TPAMS)	Service	Strategic	RFT	Stage 2
		0.8	eServices Register Platform Refresh	Good	Strategic	EOI/RFQ	Stage 2

ORGANISATION	TOTAL NUMBER	TOTAL ESTIMATED VALUE (\$ MILLION)	TITLE/ DESCRIPTION	GOOD/ SERVICE	COMPLEXITY ASSESSMENT OUTCOME	PROPOSED MARKET APPROACH STRATEGY	OVERSIGHT STAGE
Treasury and Finance	4	Not disclosed	Cash and Banking SPC	Service	Strategic	RFT	Stage 1
		Not disclosed	Shared Service Provider Security Services SPC (WoVG)	Service	Focused	RFT	Stage 1
		10.0	Security Services for Treasury Reserve and WoVG	Service	Transactional	RFQ	Stage 3
		Not disclosed	Master Agency Media Services	Service	Strategic	RFT	Stage 1
Victoria Police	4	72.9	Custodial and Prisoner Escort Services	Service	Strategic	RFT	Stage 2
		8.4	Telecommunications Goods and Services	Goods	Leveraged	RFT	Stage 3
		181.6	Information Technology Services Contract	Service	Strategic	RFT	Stage 3
		Not disclosed	Integrated Operational Equipment Vests	Goods	Strategic	RFT	Stage 1
<b>Total</b>	<b>14</b>						

EOI = Expression of interest, RFT = Request for tender, RFQ = Request for quote

## NON-COMPLIANCE

This section reports on instances of non-compliance with applying VGPB supply policies in 2016–17. It relates to non-compliance with the VGPB supply policy framework, for example, failing to publish a procurement activity plan online, or not having the requisite components of the governance

structure such as a CPO or internal procurement unit (IPU) Chair. It does not cover internal matters of non-compliance. Organisations also report on steps taken to resolve non-compliance in this instance and in future.

There were two instances of non-compliance reported in 2016–17, as listed in Table 21.

TABLE 21: NON-COMPLIANCE IN 2016–17

ORGANISATION	NUMBER	INSTANCE OF NON-COMPLIANCE	ACTIONS TAKEN TO RESOLVE INSTANCE OF NON-COMPLIANCE	ACTIONS TAKEN TO IMPROVE COMPLIANCE IN FUTURE
Premier and Cabinet	2	No IPU Chair at 30 June 2017	As part of the Procurement Transformation Project, DPC is reviewing governance processes, including reporting lines.	When complete, the Procurement Transformation Project will recommend actions to improve compliance.  Procurement is being governed through the CPO office and as required, escalated to the Executive Director, Corporate, DPC.  Machinery of government changes announced in April 2017 affected the IPU governance committee, with members being transferred to other entities across Government.
		Complaints register not implemented	As part of the Procurement Transformation Project, DPC is finalising the register, policy and communication materials. DPC engaged probity services to develop a protocol to ensure suppliers have an alternate channel to discuss concerns or complaints.	DPC will communicate availability of the complaints register and the probity protocols to all DPC staff via staff induction and online resources.
Total	2			

## COMPLAINTS

Organisations have a complaints management system that sets out the process and procedures for addressing complaints by suppliers. CPOs are responsible for their organisation's complaints management process.

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.

In 2016–17, organisations reported five complaints related to procurement activity, as shown in Table 22. This compares to three complaints in 2015–16, six complaints in 2014–15 and three complaints in 2013–14.

TABLE 22: COMPLAINTS RELATED TO PROCUREMENT ACTIVITY IN 2016–17

ORGANISATION	NUMBER	NATURE OF COMPLAINT	ACTIONS TAKEN	STATUS
Economic Development, Jobs, Transport and Resources	1	Supplier believed it did not receive full feedback on its unsuccessful tender submission	The CPO spoke to the supplier on two occasions to assess the complaint and give feedback. Situation resolved by providing detailed feedback on the lack of quality in the supplier's submission.	Resolved
Environment, Land, Water and Planning	2	Late tender excluded from RFT process	Review of user activity log from Tenders Vic showed the tender was uploaded after 2pm closing time. Confirmed no operational issues with site on that day. Tenderer advised and tenderer responded accepting decision.	Resolved
		Supplier not satisfied with tender process including timeframes, tender requirements and time taken to inform suppliers of the tender decision	Review of tender process in relation to issues subject to the complaint. Review of probity adviser report advising satisfactory completion of the tender process. Obtain relevant information from evaluation panel members.	Still under investigation
Health and Human Services	1	Appeal related to non-acceptance of a late bid	Independently (internally) reviewed the bidder's appeal. Bid was confirmed as being ineligible for consideration based on advertised offer terms. Bidder was advised accordingly in writing. Bidder acknowledged the department's interpretation and withdrew complaint.	Resolved
Victoria Police	1	Validity of contract	Victoria Police engaged a law firm to give advice on the complaint.	Still under investigation
Total	5			

# ORGANISATIONAL PROCUREMENT PROFILES

This section provides a summary of each organisation including its:

- procurement profile;
- performance in 2016–17;
- compliance with VGPB policies; and
- activities planned for 2017–18.

The CPO and IPU Chair listed under each organisation are the persons in those roles at 30 June 2017.

## PERFORMANCE MEASURES METHODOLOGY

Table 23 summarises the methodology for calculating the six common performance measures used to assess the benefits of procurement reform.

TABLE 23: PERFORMANCE MEASURE METHODOLOGY

PERFORMANCE MEASURE	DEFINITION
1 Value created as a consequence of department procurement activity	Value of direct cost savings and potential costs avoided for department procurements of \$100 000 and greater, conducted during the financial year as a percentage of the total value of department total contracted spend during the financial year.
2 Proportion of the number of transactions at or below \$2 000 through a P-Card or equivalent	Ratio of low-value transactions less than \$2 000 through a P-card or equivalent card versus total number of low-value transactions less than \$2 000 paid by any means.
3 Increase in procurement capability	Annual assessment of the improvement in departmental procurement capability year on year, measured by the department score on the VGPB capability assessment tool and template.
4 Cost of department's procurement resources as a percentage of total contract spend	Percentage of the total salary and wages for all procurement resources allocating equal to, or greater than, 80 per cent of time on procurement tasks against total department spend for the year.
5 Supplier satisfaction assessment	Satisfaction with quality of service provided by the department procurement function as provided by an annual survey of supplier perception of experience over time.
6 Planned procurement activity as a percentage of actual procurement activity	Number of planned procurements captured in a department's internal forward procurement activity plan against the number of procurement activities awarded to the market.

## DEPARTMENT OF ECONOMIC DEVELOPMENT, JOBS, TRANSPORT AND RESOURCES

The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) drives economic development and job creation across Victoria, incorporating transport and ports, investment attraction and facilitation, trade, agriculture, creative industries and resources. Recent times have seen the formation of Transport for Victoria, and the addition of another two administrative agencies under the Major Transport Infrastructure Projects umbrella.

### Procurement profile

The current DEDJTR procurement approach is a centre-led model with responsibility for procurement strategy, policy and delivery of strategic sourcing for goods and services across DEDJTR.

As at June 2017, the DEDJTR procurement team consisted of 18 resources, led by the CPO.

The DEDJTR Strategic Procurement Division provides strategic procurement advice, manages compliance and governance, develops policy and strategy and is engaged in executing key procurement activities.

DEDJTR has a complex portfolio of services, and therefore a diverse range of spend categories.

Annual addressable goods and services spend is about \$430 million on goods and services, categorised at a high level into the following categories: agriculture and marine, facilities management, general business services, human resources, IT and telecoms, marketing, meetings and events, professional services, scientific research, travel and utilities.

Procurement is of high importance to DEDJTR as large proportions of DEDJTR's strategic goods and services procurements are 'multidisciplinary' and 'project based', where each activity often incorporates multiple categories of expenditure.

**AO:** Richard Bolt, Secretary

**CPO:** Lisa Williams, CPO, Corporate Services

**IPU Chair:** Alex Jones, CIO, Corporate Services

### Compliance with VGPB policies

Table 24 lists DEDJTR's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

DEDJTR also undertook an audit as part of the VGPB's compliance program with a completion date of 7 July 2017. Audit results will be covered in next year's annual report.

DEDJTR's IPU is called the Procurement Governance Committee (PGC). The PGC includes an external probity adviser and all members have relevant capabilities approved by the Secretary. The probity adviser attends the fortnightly meetings as a non-voting member.

### Activities planned for 2017–18

In 2017–18, DEDJTR will:

- update and improve standard form contracts to streamline the contracting process;
- provide streamlined, modular procurement and contract management training to uplift procurement capability across the business; and
- develop a roadmap for implementing new procurement technology systems (source-to-contract and contract management) to simplify the procurement and approvals process and provide better data for analysis and identifying opportunities.



TABLE 24: DEDJTR'S COMPLIANCE ACTIVITIES IN 2016-17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>• Launched new DEDJTR procurement policy on 1 July 2016. Key metropolitan and regional sites received training ahead of the launch. The policy was refreshed and will be relaunched on 1 July 2017.</li> <li>• Developed DEDJTR's procurement strategy in late 2016, setting out the procurement governance framework, procurement processes and enablers designed to optimise procurement outcomes. The VGPB reviewed the framework in March 2017, confirming compliance with VGPB guidelines.</li> <li>• Reviewed DEDJTR's procurement governance framework in January 2017, adjusting the PGC to ensure broader business representation, and raising the threshold to \$3.5 million for closer examination of procurements put before the PGC to balance governance and agility.</li> <li>• Implemented a strategic procurement initiatives pipeline to track procurements valued at \$250 000 or more, to deliver commercial benefits.</li> <li>• Developed a benefits management framework to provide a methodology for tracking financial and non-financial benefits.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• Restructured the Strategic Procurement Division to move away from a governance focus towards providing strategic, value-adding commercial benefits. Nine staff were recruited, taking the team to eighteen. The new team is aligned with DEDJTR groups to develop a category focus, leading to a fundamental shift in the level of engagement with the business.</li> <li>• Streamlined the procurement process, tools and templates to address stakeholder feedback to create agility at low spend thresholds, while maintaining appropriate levels of governance. Streamlined documentation was well received and will save an estimated 1 036 labour hours a year.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Developed stakeholder engagement plans to align category spend to stakeholder groups. Spend categories were assigned to category managers in the procurement team.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Improved data analytics and category segmentation to allow a more cost-focused market approach, based on leveraged savings.</li> <li>• Adopted the Victorian Government Supplier Code of Conduct.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Integrated the contract management system (CMS) with DEDJTR's Oracle finance system, giving contract managers greater and more timely visibility of spend under contract and reducing the risk of contract overspend. Data is also used to monitor compliance with the new procurement policy and identify strategic sourcing opportunities.</li> </ul>

## Performance

Table 25 sets out DEDJTR's performance in 2016–17, and a comparison with 2015–16.

TABLE 25: DEDJTR'S PERFORMANCE IN 2016–17

PERFORMANCE MEASURE	SCORE IN 2016–17 (%)	SCORE IN 2015–16 (%)	REASONS FOR PERFORMANCE SCORE
1 Value created	..	..	DEDJTR launched its procurement benefits management framework in Q4 of 2016–17 and had no mechanism to measure value before that. Benefits targets have been established for 2017–18 and will be reported next year.
2 Proportion of P-Card transactions	29.9	28	Marginal increase in proportion of transactions.
3 Increase in procurement capability	..	..	Capability measured at 101/150 (67.3 per cent) in 2016–17. No data in 2015–16 to calculate the increase.
4 Cost of procurement resources	0.2	0.6	Strategic Procurement Division resourcing uplifted on an ongoing basis from Q4 of 2016–17, so full year wage and salary expenses lower than expected.
5 Supplier satisfaction (successful satisfied / unsuccessful satisfied)	90/46	67/41	Increase in satisfaction due to capability uplift and establishing procurement policy and procedures.
6 Planned procurement activity	29.3	..	Result is low due to the formation of Transport for Victoria and two new agencies during 2016–17.

## DEPARTMENT OF EDUCATION AND TRAINING

The Department of Education and Training (DET) leads the delivery of education and development services to children, young people and adults, both directly through government schools and indirectly through the regulation and funding of early childhood services, non-government schools and training programs.

### Procurement profile

In delivering these services, the department procures goods and services to the value of approximately \$400 million annually. Major areas of expenditure include IT, professional services and school buses. A significant portion of DET procurement activity is focused on the IT sector.

In 2016–17, DET approved 189 contracts valued at more than \$100 000 with a total value of \$187 million. Just less than half (47 per cent) of contracts over \$100 000 relate to procurements in the IT sector.

Most DET contracts over \$100 000 are in the leveraged complexity quadrant (62 per cent). This is due to DET's IT, professional services and learning and development spend.

The department operates a devolved model. Each business unit in DET (centrally and regionally) manages its own procurement processes with support provided by the Procurement Division. Each business unit delegate is responsible for ensuring staff are operating according to the department's policies for all purchasing and payment activities.

**AO:** Gill Callister, Secretary

**CPO:** Tarkan Koman, Executive Director, Procurement Division

**IPU Chair:** Kate Rattigan, Deputy Secretary, People and Executive Services Group

### Compliance with VGPB policies

Table 26 lists DET's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

DET was audited as part of the VGPB's compliance program on 28 November 2016. The audit result was that DET's procurement function needs improvement. DET had six audit actions and four of these have been completed. DET is addressing the remaining two actions for completion by 30 September 2017.

DET's IPU is called the Procurement and Probity Committee.

### Activities planned for 2017–18

In 2017–18, DET will:

- develop new e-learning procurement modules for DET staff;
- review and simplify the procurement system so it aligns with the new procurement procedures and allows for faster completion of procurement activities;
- review and update DET's procurement strategy; and
- identify categories for school procurement suited to panel arrangements to achieve better value for money.

TABLE 26: DET'S COMPLIANCE ACTIVITIES IN 2016–17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>• Started a corporate reform project in August 2016 to build on the procurement capabilities of decision-makers through mandatory training and reviews and uplifting the existing devolved procurement model in DET.</li> <li>• Carried out a major external review of the current procurement policies and procedures with changes made to both.</li> <li>• Moved to a centre-led procurement model as part of the change to the procurement policy and procedures, allowing more oversight of procurements by procurement professionals.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• Approved a new learning and development plan to uplift capability in DET.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Reviewed DET's category assessments and made changes where needed to ensure accuracy.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Adopted the Victorian Government Supplier Code of Conduct.</li> <li>• Began reviewing market documentation as part of the procurement reform, including technology options to approach the market.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Updated procurement procedures to reflect the importance of contract management with a dedicated section on the contract management phase.</li> </ul>

## Performance in 2016-17

Table 27 sets out DET's performance in 2016-17, and a comparison with 2015-16.

TABLE 27: DET'S PERFORMANCE IN 2016-17

PERFORMANCE MEASURE	SCORE IN 2016-17 (%)	SCORE IN 2015-16 (%)	REASONS FOR PERFORMANCE SCORE
1 Value created	2.0	4	The procurement reform project will see category managers and their teams involved in all procurements estimated to be more than \$150 000.
2 Proportion of P-Card transactions	4.3	2.5	
3 Increase in procurement capability	0.0	..	Capability measured at 127/150 (84.7 per cent) in 2016-17. No data in 2015-16 to calculate the increase.
4 Cost of procurement resources	0.8	1.5	Procurement resource cost remained steady and the percentage decrease was the result of contract spend increase year-on-year.
5 Supplier satisfaction (successful satisfied / unsuccessful satisfied)	78/50	79/40	
6 Planned procurement activity	31.7	34.5	The Procurement Division is actively engaging with groups in the department to increase forecasting of procurements.

## DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

The Department of Environment, Land, Water and Planning (DELWP) brings together Victoria's planning, local government, environment, energy, suburban development, forests, emergency management, climate change and water functions into a single department to strengthen connections between the environment, community, industry and economy.

### Procurement profile

DELWP is an organisationally diverse department with a broad and operationally extensive procurement profile. At any one time, there are more than 1 500 current contracts ranging from low-value and low-risk to highly complex, long-term contracts that are significant for the department and the State and need high-level management.

A significant portion of DELWP's procurement activity focuses on emergency management related to fire and flood recovery, including a chartered fleet of around 50 aircraft. In addition, DELWP's IT area covers an expansive and disparate array of systems applications that support the department and community to deliver government obligations and objectives in the areas of land management, energy, environment, water and planning.

The introduction of the energy portfolio into DELWP through machinery of government changes this year has increased the number of procurements carried out by more than 100.

**AO:** Christine Wyatt, A/Secretary

**CPO:** A.J. Karliner, CPO, Corporate Services

**IPU Chair:** Kathryn Anderson, Deputy Secretary, Corporate Services

### Compliance with VGPB policies

Table 28 lists DELWP's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

DELWP's IPU is called the Procurement Governance Committee (PGC). The PGC reviews management reports on departmental procurement activity and provides strategic oversight of the procurement function.

### Activities planned for 2017–18

In 2017–18, DELWP will:

- review using a potential source-to-contract tool to improve its ability to manage tenders and suppliers;
- improve procurement reporting capability for better visibility of spend and data capture;
- review procurement and contract management training to ensure training is geared towards staff needs and reflects capability assessment requirements;
- expand its category management strategy to include procurement of professional services; and
- embed reporting on savings into monthly procurement reports through the procurement approvals process, to allow for performance measure reporting and improve the focus on creating savings.

TABLE 28: DELWP'S COMPLIANCE ACTIVITIES IN 2016-17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>• The Procurement Governance Team reviewed all procurements greater than \$150 000 and all ICT procurements greater than \$500 000 for process approval before submission to the CPO.</li> <li>• The ICT category manager independently reviewed all ICT procurements between \$100 000 and \$500 000 for process approval.</li> <li>• The CPO approved procurements greater than \$150 000 including variations and noted instances of non-compliance with procurement process.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• Strengthened commitment to socially responsible procurement by promoting expected values and behaviours to staff at procurement forums.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Developed DELWP's first category strategy for contingent labour and reviewed the ICT category.</li> <li>• Completed a full spend analysis on 2015-16 data, producing a spend cube to identify potential savings.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Adopted the Victorian Government Supplier Code of Conduct.</li> <li>• Extended its focus on competitive commercial pricing through increased use of the Best and Final Offer process and negotiation on SPC pricing caps.</li> <li>• Increased supplier engagement by inviting suppliers to give feedback at DELWP procurement forums.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Adjusted the contract register to improve data capture and reporting functionality to cater for performance and milestone reporting.</li> </ul>

## Performance

Table 29 sets out DELWP's performance in 2016–17, and a comparison with 2015–16.

Table 29: DELWP's performance in 2016–17

PERFORMANCE MEASURE		SCORE IN 2016–17 (%)	SCORE IN 2015–16 (%)	REASONS FOR PERFORMANCE SCORE
1	Value created	..	..	DELWP's new CPO has embedded a process to capture this data for 2017–18. The CPO now engages with the business at the start of the procurement process to encourage a more commercial approach, leading to better savings.
2	Proportion of P-Card transactions	19.7	14.6	DELWP released a mandatory purchase order policy in March 2017 recommending the use of P-cards or iExpense for purchases under \$2 000.
3	Increase in procurement capability	13	..	DELWP has its own internal capability tool for self-assessment by staff engaged in procurement.
4	Cost of procurement resources	0.03	..	DELWP was unable to capture this data in 2015–16. For 2016–17, the figure is 0.03 per cent.
5	Supplier satisfaction (successful satisfied / unsuccessful satisfied)	82/37	87/38	DELWP has begun training staff on evaluating supplier tenders and hopes this will reflect in improved scores for 2018–19. Areas of concern for suppliers include timely notification of outcome and evaluating responses in an acceptable time. Training will address these areas.
6	Planned procurement activity	63.2	54.5	DELWP publishes a procurement activity plan for all planned procurement greater than \$500 000 every six months on its website. Seven out of 19 procurements were not included in 2016–17 as they were either not captured by the business area or were through existing departmental contracts and not recorded. Forecast procurements from the energy portfolio (introduced into DELWP under machinery of government changes) were not initially captured although this has been rectified.  DEWLP will continue to promote the requirement to publish these procurements in its activity plan.



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department of Health and Human Services (DHHS) is responsible for developing and delivering policies, programs and services that support the health, wellbeing and safety of all Victorians.

### Procurement profile

DHHS operates a centre-led goods and services (non-construction) procurement function that supports staff when undertaking various procurement actions.

The department's main spend categories are:

- business support services–ICT (about 40 per cent of goods and services spend) comprising a range of information and communications technology subcategories;
- business support services–non-ICT (about 30 per cent) comprising subcategories such as security, training, utilities and equipment;
- professional services (about 20 per cent) comprising a range of consulting and advisory subcategories; and
- client support services (balance) comprising medical and support services for clients.

**AO:** Kym Peake, Secretary

**CPO:** Genine Wallinga, Director, Procurement and Contract Management Branch

**IPU Chair:** Carolyn De Gois, Deputy Secretary, Corporate Services

### Compliance with VGPB policies and related activities

Table 30 lists DHHS activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

DHHS has started preparing for audit by the VGPB. The audit is expected to be finalised in September 2017.

DHHS IPU is called the Procurement Committee. It comprises 10 members at the executive level and is chaired by a deputy secretary. The committee oversaw procurement policy, planning and compliance arrangements, which included consideration of 216 procurement plans with an estimated value of \$614 million, of which the committee formally approved 22 totalling \$526 million (the balance being managed by committee delegates).

DHHS staff have access to a range of internally conducted finance and procurement-related courses, workshops and seminars, ranging from induction (P-Card, basic purchasing, purchase order creation, etc.) to procure-to-pay and contract management. Training is targeted at staff undertaking specific functions who are required to attend nominated training, as designated by the Finance and Procurement Training matrix.

TABLE 30: DHHS COMPLIANCE ACTIVITIES IN 2016–17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>• Externally reviewed Procurement Services operations and confirmed them as meeting the department's needs. Several improvement opportunities were identified for progressive implementation in 2017–18.</li> <li>• Procurement Services shared data with corporate integrity and finance areas of the department to strengthen analysis of procurement and contract outcomes, mitigate potential areas for fraud or corruption and manage contractual commitments.</li> <li>• Continued to refine existing, and develop new supporting guidance material based on VGPB material where practical. All updated materials are published on the department's intranet.</li> <li>• Implemented a procurement compliance policy to drive compliance in procurement administration and minimise opportunity for fraud and corruption in procurement and contract management practices.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• High numbers of staff attended training: 340 senior managers and executives attended training for financial delegates; 850 staff attended a range of procurement-related courses (up to one day each) and 1 200 staff attended a range of seminars and workshops conducted in both metropolitan and rural offices.</li> <li>• Reviewed its finance and procurement training arrangements and confirmed its commitment to delivering in-house training to maintain and improve staff capability.</li> <li>• Implemented a relationship management model throughout the department to better support branches and units by providing a known key point of contact for procurement advice and support.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Consolidated learnings from category management arrangements to maximise buying and/or payment efficiencies, establishing three SEPCs in 2016–17 with another five due for completion in 2017–18.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Adopted the Victorian Government Supplier Code of Conduct.</li> <li>• Continued to review and refine its market approach arrangements to ensure engagement strategies keep supporting competition and value-for-money outcomes for the department and Government.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Monitored central government projects and activities related to replacing and upgrading enterprise finance and procurement systems so it could support opportunities to improve procurement and contract management systems, at the whole of government (vendor management, tender management, etc.) and department level (e.g. financial system upgrade project).</li> </ul>

### Activities planned for 2017–18

In 2017–18, DHHS will:

- continue to implement capability development projects from the capability assessment;
- streamline and improve procurement outcomes for staff by increasing the number of SEPCs and category analysis;
- make category data more readily available for staff, to support more timely analysis and investigation of procurement opportunities, through the department's reporting tools;
- support opportunities for improvements in procurement and contract management systems at both the whole of government and department level; and
- redesign procurement information on the department's intranet to give staff immediate access to accurate advice.

### Performance in 2016–17

Table 31 sets out DHHS performance in 2016–17, and a comparison with 2015–16.

Table 31: DHHS performance in 2016–17

PERFORMANCE MEASURE	SCORE IN 2016–17 (%)	SCORE IN 2015–16 (%)	REASONS FOR PERFORMANCE SCORE
1 Value created	0.2	4	DHHS applied a consistent procurement methodology that included consideration of negotiation or Best and Final Offers in procurement activities. Savings outcomes were reported on 21 occasions (total \$1.2 million) in 2016–17, which equated to 0.22 per cent of spend under contract.
2 Proportion of P-Card transactions	12.3	11.3	Results reflect the department's risk appetite in relation to the use of P-Cards.
3 Increase in procurement capability	6.6	2	DHHS continued to undertake capability development projects in 2016–17, which supported the increase in capability.
4 Cost of procurement resources	0.7	0.6	Results reflect a low cost for driving compliant procurement processes conducted in accordance with VGPB policies.
5 Supplier satisfaction (successful satisfied / unsuccessful satisfied)	82/53	92/40	DHHS will continue to work with its suppliers to ensure successful outcomes for all parties.  The response was based on a small sample size of 34 in 2016–17 compared with 52 in the previous year.
6 Planned procurement activity	5.7	31.6	Variance results from VGPB clarification of reporting requirements in February 2017. While only eight activities were listed at 1 July 2016, being the (now) basis of this performance measure, a total of 55 projects were published in 2016–17 which represents 40 per cent of 2016–17 procurement activities.

## DEPARTMENT OF JUSTICE AND REGULATION

The Department of Justice and Regulation (DJR) delivers high-quality services to Victorians and supports a safe, just, innovative and thriving Victoria.

### Procurement profile

DJR has a devolved procurement model, incorporating a mix of business units with a central procurement area combined with business units with a broad range of procurement practitioners and capability.

Many procurements are carried out by individuals with part-time responsibility for procurement. There are an estimated 156 full-time procurement professionals and 144 part-time procurement professionals, with contractors supporting large procurement projects.

The predominant categories of spend across DJR are private prisons, construction and property, ICT, road safety and contractors/consultants.

**AO:** Greg Wilson, Secretary

**CPO:** Philip Chalkley, CPO, Office of the CPO

**IPU Chair:** Shaun Condron, Deputy Secretary, Finance, Infrastructure and Governance

### Compliance with VGPB policies and related activities

Table 32 lists activities completed by DJR to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

DJR's IPU consists of a combined group of committees and boards including the Procurement Activity Board (PAB) and the Justice Procurement Committee (JPC).

The PAB independently review all sourcing activity and variations with a cumulative value exceeding \$100 000 (including GST) for compliance with departmental procurement policies and processes. PAB members conduct two-stage reviews which include a sourcing plan before market approach, followed by a procurement process report before contract execution.

The JPC is the peak procurement committee with responsibility for the strategic direction of procurement in the department. It approves changes to policy and process that are aligned with the VGPB. The JPC meets quarterly, with its membership comprising senior executives across the department.

### Activities planned for 2017–18

In 2017–18, DJR will:

- implement the new eSourcing tool;
- finalise the upgrade of P2P, eCatalogues and associated training;
- introduce an iSupplier capability to give suppliers a 'self-service' capability to manage their corporate and invoice management data as part of the P2P (Peer-to-Peer) uplift project (delayed due to technology constraints with P2P);
- introduce a contract management framework to guide contract managers through the contract management lifecycle;
- introduce an enterprise contract management framework to help staff and suppliers get the most from enterprise supplier relationships; and
- embed the benefits realisation framework.

TABLE 32: DJR'S COMPLIANCE ACTIVITIES IN 2016-17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>Analysed data from the contract management system and Oracle financial system to identify engagements not submitted to the PAB for oversight or inconsistent with departmental policy.</li> <li>Introduced eCatalogue capability in Oracle iProcurement to streamline departmental purchasing and contract management practice, increase compliance and price certainty for buyers and reduce cost to deliver for market/suppliers. It also gives more granular and accurate data and specifications for future leverage/opportunities.</li> <li>Created a single standardised governance structure for all sourcing activity by aligning construction procurement with non-construction procurement (goods and services under the VGPB). This makes it easier for practitioners and reduces the risk of non-compliance.</li> <li>Developed a Benefits Realisation Framework, with training and workshops across all business areas to help departmental users identify and measure benefits of sourcing activity.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Introduced a comprehensive procurement and contract management framework to guide practitioners through sourcing activities of all complexities.</li> <li>Carried out a comprehensive procurement and contract management training project, training more than 650 departmental staff in the period.</li> <li>Introduced a suite of new training programs including evaluation training, market assessment and contract management, and achieved RMIT (Royal Melbourne Institute of Technology) certification for its procurement and contract management training course.</li> <li>Refreshed the procurement toolbox and website to give staff a single, up-to-date source of all procurement documents, policies and processes.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>Completed a spend analysis and deep dive to identify savings and aggregation opportunities, which are expected to be leveraged in 2017-18.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Investigated an eSourcing tool to automate sourcing activity. The tool will help increase compliance to supply policies and reduce the administrative burden of market approach. DJR is in the evaluation phase, with implementation over the next 12 months.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Upgraded the contract management system (ContraX) to provide a single, mandatory, central repository for department contracts with more accurate data and reporting. It also provides data to identify efficiencies and aggregate opportunities across the department.</li> </ul>

## Performance in 2016–17

Table 33 sets out DJR's performance in 2016–17, and a comparison with 2015–16.

TABLE 33: DJR'S PERFORMANCE IN 2016–17

PERFORMANCE MEASURE		SCORE IN 2016–17 (%)	SCORE IN 2015–16 (%)	REASONS FOR PERFORMANCE SCORE
1	Value created	0.4	0.04	DJR introduced a benefits realisation framework midcycle, giving a result that does not reflect actual benefits created. DJR will continue to embed this process in business areas and expects a result that is more reflective of actual benefits derived from procurement in the next reporting period.
2	Proportion of P-Card transactions	10.4	19	The reduced score can be attributed to a number of factors, including an overall reduction in spend and greater use of SPCs.
3	Increase in procurement capability	...	...	Capability measured at 122/150 (81.3 per cent) in 2016–17. No data in 2015–16 to calculate the increase.
4	Cost of procurement resources	3.8	3.6	DJR's devolved procurement model has facilitated development of specialist teams in various areas and divisions.
5	Supplier satisfaction (successful satisfied / unsuccessful satisfied)	70/50	65/36	Overall 5 per cent increase from last year, but the sample group and response rate was small.
6	Planned procurement activity	10.6	21	DJR has a mandatory procurement activity register (PAR) for publishing all planned sourcing activity. Incomplete internal reporting of PAR registration numbers to the PAB contributed to this result. DJR will focus on capturing this data in 2017–18 to improve results and market awareness of upcoming sourcing activities.

## DEPARTMENT OF PREMIER AND CABINET

The Department of Premier and Cabinet (DPC) leads the Victorian public service, advising Government on emerging policy issues and reviewing the impact of Government decisions that affect the government as a whole, in coordinating Victoria's response to major social, economic and environmental challenges, managing statewide emergencies such as terrorism, fire and flood, and ensuring the Government's messages are consistent and effective.

### Procurement profile

DPC is an organisationally diverse department and provides support to the Premier and eight Ministers across 16 portfolios. DPC's procurement branch provides governance, strategic procurement and advisory services via two distinct functions.

The Corporate Procurement Team (CPT) supports a centre-led system of procurement where staff (procurement and non-procurement practitioners) across DPC in various locations have the authority to tender, requisition and purchase goods and services within a set delegation.

Aside from SPCs, the procurement profile of DPC was primarily transactional for 2016–17. DPC procured mainly professional services and labour contractors. Through the WoVG Technology Procurement Team, DPC has lead agency responsibilities for the ICT SPCs.

DPC's procurement branch provides governance advice to the department for its procurement activities. For ICT SPCs, category managers provide advice to whole of government stakeholders on the use of their contracts.

**AO:** Chris Eccles, Secretary

**CPO:** Jag Rewal, Corporate Services & Procurement Branch

**IPU Chair:** Vacant

DPC experienced significant changes during the year, including leading cross-agency system reform initiatives such as the National Disability Insurance Scheme and the family violence reform. The complexity and impact of these reforms required a significant transformation of DPC's corporate services. The transformation program overseeing DPC's primarily transactional procurements is already delivering projects across the department.

DPC's current departmental governance structure is being reviewed under the Procurement Transformation Project with a revised governance structure to be presented to senior management in August 2017, including a new IPU Chair.

### Compliance with VGPB policies and related activities

Table 34 lists activities completed by DPC to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

DPC underwent a VGPB audit in 2016–17. Five areas around governance (including reporting requirements) and market analysis were identified for improvement. Work is progressing to address the recommendations under the Procurement Transformation Project.

DPC's IPU is called the Procurement Governance Committee (PGC).

TABLE 34: DPC'S COMPLIANCE ACTIVITIES IN 2016–17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>• The ICT category manager independently reviewed all ICT procurements between \$100 000 and \$50 000 000 for process approval.</li> <li>• Consolidated several VGPB mandated policies and statements into a central document for use by DPC officers and business units.</li> <li>• Restructured the PGC to reflect machinery of government and staffing changes.</li> <li>• Strengthened delegate certification and awareness in conjunction with DPC Finance through the Audit Management Risk Audit Committee.</li> <li>• Strengthened procurement and financial approvals (initiation and outcome documents), including appropriate delegate awareness when committing funds or entering into a contract.</li> <li>• Reported procurement process exemption requests quarterly to the PGC.</li> <li>• Continued to improve DPC procurement processes and associated tools and templates.</li> </ul>
Market analysis and review	–
Complexity and capability	<ul style="list-style-type: none"> <li>• Provided training on the benefits of strategic procurement planning to help staff be more proactive, improve transparency for the market and identify opportunities for coordinated procurement.</li> <li>• Developed and delivered basic contract management training sessions.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Adopted the Victorian Government Supplier Code of Conduct.</li> </ul>
Contract management and disclosure	–

### Activities planned for 2017–18

In 2017–18, DPC will:

- review and streamline procurement processes to reduce duplication in documentation and improve process flow;
- develop a reporting calendar outlining key reporting requirements and dates to improve timeliness and quality reporting;
- continue to review and coordinate procurement/ contract management training for DPC under its continuous improvement plan; and
- plan a progressive roll-out of new procurement governance processes and training arrangements for DPC, aligned to the VGPB framework.



## Performance in 2016-17

Table 35 sets out DPC's performance in 2016-17, and a comparison with 2015-16.

TABLE 35: DPC'S PERFORMANCE IN 2016-17

PERFORMANCE MEASURE	SCORE IN 2016-17 (%)	SCORE IN 2015-16 (%)	REASONS FOR PERFORMANCE SCORE
1 Value created	39.2	..	The 2016-17 financial year was an unusually busy period with abnormally large-value procurements, i.e. Service Victoria.
2 Proportion of P-Card transactions	0	0	DPC does not currently use P-Cards and has no plans to use P-Cards.
3 Increase in procurement capability	..	..	Capability measured at 68 per cent in 2016-17. No data in 2015-16 to calculate the increase. DPC implemented several initiatives to increase capability such as regular training, redeveloping the procurement intranet page and the procurement e-learning module.
4 Cost of procurement resources	1.2	0.9	The cost of DPC's procurement resources for 2016-17 is 1.2 per cent, a slight increase from 2015-16.
5 Supplier satisfaction (successful satisfied / unsuccessful satisfied)	73/36	57/33	The training program implemented in 2015-16 contributed to the increase in supplier satisfaction.
6 Planned procurement activity	50.0	..	Due to machinery of government changes, DPC did not have an updated procurement activity plan until June 2016.

## DEPARTMENT OF TREASURY AND FINANCE

The Department of Treasury and Finance (DTF) provides economic, financial and resource management advice to support the Government to deliver its policies.

### Procurement profile

DTF's innovative, expert advice balances economic, social and environmental goals within a framework of responsible financial management.

DTF is the lead agency for most non-ICT SPCs through its Strategic Sourcing group. However, the procurement profile of DTF was primarily transactional for 2016–17.

DTF procurements are primarily professional services. DTF operates a decentralised procurement environment, supported by a centralised policy framework. The Procurement Resource Unit (PRU) assisted about 110 procurers (9 per cent of DTF staff) with more than 200 procurements during 2016–17.

### Compliance with VGPB policies

Table 36 lists DTF's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

DTF's IPU is supported by the PRU, which registers and reviews all procurement activities greater than \$10 000, so it can identify areas of concern in advance and work with the procurer to mitigate risks. This ensures appropriate planning and results in effective contract management throughout the life of the engagement. The PRU provides comprehensive and transparent monthly and annual reporting including commentary and analysis at IPU meetings.

DTF's internal auditors conduct an annual attestation audit of key procurement initiatives and programs. Audit findings are tabled at DTF's Audit and Risk Committee.

**AO:** David Martine, Secretary

**CPO:** Steven Harris, Assistant Director, Performance and Integrity

**IPU Chair:** Joe Bonnici, CFO, Corporate Finance

### Activities planned for 2017–18

In 2017–18, DTF will:

- explore data analytics, auditing, dashboards and automated reporting that satisfy legislative requirements and management reporting as part of the new system capability;
- develop training material (self-serve, fact sheets, classroom based) and deliver training for procure-to-pay system to improve contract management capability;
- embed and integrate procurement culture within People and Culture, and integrity processes, such as in performance planning;
- implement Aboriginal procurement policy in DTF and agencies;
- implement the Supplier Code of Conduct; and
- integrate construction and legal procurement into the VGPB governance framework.

TABLE 36: DTF'S COMPLIANCE ACTIVITIES IN 2016–17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>• Developed a four-year strategy which includes a strategic objective to deliver procurement outcomes in line with VGPB policies that support the DTF corporate plan. The strategy includes the following initiatives:               <ul style="list-style-type: none"> <li>– explore current practices for compliance and innovation;</li> <li>– identify improvements from supplier feedback;</li> <li>– investigate automated reporting; and</li> <li>– explore data analytics, auditing and dashboards.</li> </ul> </li> <li>• Revised procurement documents on the DTF intranet to include more guidance for procurers including links to the forward procurement activity plan and an end-to-end procurement checklist.</li> <li>• Continued to automate and refine the procurement reporting process, identifying that system improvements are needed to take this further (this is being worked on through the documentation of business processes discussed in the next point).</li> <li>• Currently documenting procurement business processes to identify process, reporting and analysis improvements that could be implemented through a procure-to-pay module as part of an enterprise resource planning system due to be implemented by 1 July 2018. This activity includes evaluating the full cost of conducting procurement activities (staffing costs, advertising, legal fees, etc.) and implementing end-to-end cost plans to reduce procurement costs.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• Conducted the annual capability assessment and developed a plan based on the results.</li> <li>• Conducted procurement training for business units across DTF to raise awareness of good procurement practices.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Presented an annual spend map analysing the top 20 suppliers to the IPU. Data is used to identify and understand trends in categories.</li> <li>• Continued to promote and report on the use of SPCs to better deliver value for money.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Reviewed feedback from the supplier satisfaction survey and recommendations from the IBAC report, <i>Perceptions of corruption – Survey of Victorian Government suppliers</i> (June 2016) to improve the process and quality of feedback given to unsuccessful suppliers. DTF also reiterated and strengthened its complaints management framework.</li> <li>• Adopted the Victorian Government Supplier Code of Conduct.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Developed contract management guidance material to help contract managers understand their roles and responsibilities.</li> <li>• Used the procurement activities register to support effective contract management throughout the life of the engagement.</li> </ul>

## Performance

Table 37 sets out DTF's performance in 2016–17, and a comparison with 2015–16.

TABLE 37: DTF'S PERFORMANCE IN 2016–17

PERFORMANCE MEASURE		SCORE IN 2016–17 (%)	SCORE IN 2015–16 (%)	REASONS FOR PERFORMANCE SCORE
1	Value created	21.5	5.2	DTF estimates less than 10 per cent of procurements fall into this category. Most savings calculated result from savings identified through multiple quotes. DTF will continue to apply savings more consistently and improve identification of qualitative savings.
2	Proportion of P-Card transactions	19.1	11	
3	Increase in procurement capability	...	...	In 2015–16, DTF developed a capability assessment tool to calculate improvements in capability. DTF is still using the capability assessment tool internally and notes an increase in capability in 2016–17.  From 2016–17, DTF started benchmarking capability using the VGPB tool. Results from 2015–16 to 2016–17 are not comparable but this year's result (115 out of 150 equivalent to 76.7 per cent) will be the benchmark for 2017–18.
4	Cost of procurement resources	0.3	0.4	No significant change from previous year.
5	Supplier satisfaction (successful satisfied / unsuccessful satisfied)	67/50	90/57	DTF will review the results and develop actions to improve supplier satisfaction.
6	Planned procurement activity	60.5	30	DTF monitors this performance measure monthly and continues to raise awareness of the importance of planning.  Overall, planning has improved with 60 per cent of procurements over \$100 000 captured on the procurement activity plan. Improvements are continuing with direct engagement with executives and deputy secretaries to consider forward planning.

## PUBLIC TRANSPORT VICTORIA

Public Transport Victoria (PTV) sits with VicRoads, VicTrack and V/Line under Transport for Victoria within DEDJTR. PTV works together with its partners to deliver a simpler, more coordinated transport system for Victoria. PTV's vision is to deliver a safe and inclusive public transport network that all Victorians choose to use.

### Procurement profile

PTV has influence over a range of different procurement activities including corporate, facilities, IT and professional services, franchise and construction expenditure.

PTV procurement structure is covered by legislation, governance forums and ministerial directions as follows:

- corporate, facilities, IT and professional services expenditure, including engaging professional services for construction-related activities, are within scope of the FMA and fall under VGPB governance;
- franchise contracts are governed by DTF's High Value High Risk Investment Framework process, for which PTV has developed a bespoke investment management lifecycle process to ensure governance of projects delivered by franchisees; and
- construction expenditure is subject to prescribed principles and procedures under ministerial directions 1 and 2 (under Part 4 of the *Project Development and Construction Management Act 1994*).

PTV has introduced a new procurement framework with three stacks of expenditure to provide governance and procurement oversight for the above expenditure profiles. Three comprehensive guidelines direct PTV staff on how to appropriately manage procurement activities under each stack.

**AO:** Jeroen Weimar, CEO

**CPO:** Ken Tuke, CPO, Corporate Services

**IPU Chair:** Dean Tillotson, Executive Director, Corporate Services

### Compliance with VGPB policies

Table 38 lists PTV's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

PTV's IPU is called the PTV Procurement Committee (PTV PC). The PTV PC will formally convene for the first time in August 2017. The Chair and Terms of Reference were agreed in 2016–17.

PTV has several mechanisms to monitor and manage performance:

- All procurement under \$25 000 (GST inclusive) is subject to targeted audit checks using a range of analytical tools. Copies of all offers (e.g. quotes) and associated paperwork must be kept by the business unit responsible for the procurement.
- The Procurement Branch (PB) prepares monthly reports for PTV Directors with information on all expenditure that has exceeded approvals, upcoming contract expiry and recent contract awards. This allows PTV to specifically track instances of multiple contracts awarded under thresholds (order splitting). Additional internal reporting is conducted on use of financial delegations and compliance to policy, for example, 'Frequency of Supplier Engagement over 12 months'
- This reporting helps assess performance by highlighting instances to PTV Executive of upcoming contracts due to expire (for example), so they can be discussed with enough time to ensure procurement objectives can be met.

Purchases valued up to \$25 000 (GST inclusive) are classed as local procurements and are managed directly by the business division at the local level. The PB has oversight of more complex, higher value procurements.

TABLE 38: PTV'S COMPLIANCE ACTIVITIES IN 2016–17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>Established PTV's governance framework, setting out processes, authorities, accountabilities and relationships for an efficient and effective procurement function. The framework is available to PTV staff on the intranet.</li> <li>Moved procurement of staffing services from People and Culture to the PB to increase visibility, track compliance and make the process clearer for procurers.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Implemented new forms, policies, guidelines and templates to ensure procurers follow the right process. Information was made available on the intranet.</li> <li>The CPO met with individual business divisions to explain the new procurement framework. Eight training sessions were also delivered to PTV staff in February 2017 with a total of 115 attendees.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>Guided staff to take a wider view when assessing the market to increase market competition and improve value-for-money outcomes. PTV takes a fact-based, investigative approach to market analysis to understand supplier power, financial health, new entrants, buyer power, substitutes and market internal competition.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Adopted the Victorian Government Supplier Code of Conduct and notified all non-SPC suppliers of the Code.</li> <li>Ran an industry briefing for provision of Western Port Ferry services to generate commercial interest and facilitate supplier engagement early to assess innovation. It had a better than expected turnout and the procurement achieved a competitive outcome with customer-focused innovations.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>From 1 March 2017, the PB took over responsibility for loading and editing all records in the CMS. These new procedures have tightened oversight of contracts and improved CMS data quality. CMS records are now only created by the PB when a signed contract is produced at the end of the procurement process.</li> </ul>

### Activities planned for 2017–18

In 2017–18, PTV will:

- roll out category plans;
- roll out a systems-based end-to-end approvals process for procurement projects (PEGA); and
- establish three panels for goods and services

### Performance

PTV gained accreditation to the VGPB supply policy framework on 1 January 2017 and will begin reporting fully on performance measures in 2017–18.

PTV published its forward procurement activity plan online and reported that 25 per cent of its procurement activity was added to this plan under performance measure 6.

## VICROADS

VicRoads plans, develops and manages the arterial road network and delivers road safety initiatives and customer-focused registration and licensing services. The purpose of the organisation is to support economic prosperity and liveability by shaping the development and use of Victoria's road system as an integral part of the overall transport system.

### Procurement profile

Procurement is considered a key function of the organisation in delivering its services. Each year, VicRoads undertakes \$1.8 billion of building and construction-related procurement (85 per cent) and \$332 million (15 per cent) of goods and services related procurement across a broad range of categories. VicRoads has a centre-led procurement and contract management business area that provides policies, procedures, systems and advice to the broader organisation and also has some contract administration responsibilities. This decentralised process allows most procurement activities to be undertaken across the organisation by a wide range of individuals.

VicRoads has 11 category groups of goods and services spend, with 55 individual categories. Most procurement spend uses SPCs. The largest areas of goods and services spend are in the category groups of ICT (27 per cent), people services (27 per cent) and professional services (18 per cent).

**AO:** John Merritt, Chief Executive

**CPO:** Chris McNally, Director Procurement Services, Finance and Risk

**IPU Chair:** Judith Pettitt, Executive Director Corporate Services

### Compliance with VGPB policies and related activities

Table 39 lists activities completed by VicRoads to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

TABLE 39: VICROADS' COMPLIANCE ACTIVITIES IN 2016–17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>• Continued with its staged review of procurement systems, tools, processes, policies and procedures, making improvements where needed.</li> <li>• Developed and began implementing a comprehensive Procurement Assurance Framework to support compliance with VGPB supply policies and other mandatory legislation. Procurement Services also reviewed IBAC reports and recommendations, and updated policies, procedures, systems and controls where appropriate.</li> <li>• Reviewed procurement plans for all activities valued at more than \$180 000 and all requests for exemption that outline the market approach for goods and services, with an increased focus on accountability and achieving value-for-money outcomes for VicRoads.</li> <li>• Published and maintained the procurement activity plan for 2016–17, ensuring greater market engagement. The plan is reviewed quarterly to capture any business changes.</li> <li>• Transitioned to most mandatory SPCs and used education, systems and the assurance process to monitor compliance.</li> <li>• VicRoads' internal auditors reviewed compliance with VGPB supply policies, finding only minor instances of non-compliance in VicRoads' policies and procedures.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• Conducted extensive communication with stakeholders and organised training sessions to support compliance with VGPB supply policies.</li> <li>• Updated and implemented its capability development plan with various improvements including targeted face-to-face training for multiple audiences, introducing e-learning modules and planning for a capability self-evaluation tool.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Continued to develop its understanding of category management and set up an internal community of practice to work across organisational boundaries to improve category management. A corporate category manager role has been established to provide a more strategic focus on category spend, identify improvements and capitalise on opportunities created by analysing procurement spend in categories.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Developed requirements to introduce an eTendering system to be implemented in 2017–18.</li> <li>• Introduced a social procurement policy to implement a strategic social procurement approach across the organisation. Its preliminary focus is creating greater opportunities for Aboriginal-owned businesses.</li> <li>• Adopted the Victorian Government Supplier Code of Conduct.</li> </ul>
Contract management and disclosure	–



### Activities planned for 2017-18

In 2017-18, VicRoads will:

- continue to enhance and progress implementation of the Procurement Assurance Framework, reviewing IBAC reports and recommendations and working closely with other government departments to ensure it has appropriate policies, procedures and controls to manage the risk of inappropriate behaviour across the procurement process;
- continue the staged program to review and improve all procurement systems, tools, processes, policies and procedures;
- update and implement the supplier engagement plan;
- introduce an eTendering system;
- implement an updated capability development plan;
- develop and implement a social procurement framework;
- implement controls based on IBAC red flags of corruption and other IBAC information;
- review and update contract management procedures;
- continue to develop category management including developing data analytics and dashboards; and
- develop a preliminary business case to evaluate the potential adoption of a CMS and online supplier portal to be introduced in future years



## Performance

Table 40 sets out VicRoads' performance in 2016–17 and a comparison with 2015–16.

TABLE 40: VICROADS' PERFORMANCE IN 2016–17

PERFORMANCE MEASURE		SCORE IN 2016–17 (%)	SCORE IN 2015–16 (%)	REASONS FOR PERFORMANCE SCORE
1	Value created	17.0	2.5	The increase in value relates to a significant improvement in the way VicRoads captures data, as well as in the actual reportable savings. VicRoads is working to further improve data capture and enhance the procurement plan function, to capture data and identify new opportunities for savings.
2	Proportion of P-Card transactions	72.9	53	VicRoads has encouraged use of P-Cards for low-risk procurement activities. VicRoads is planning to implement an improved purchasing card system and will then focus on transferring more low-value transactions to P-Cards.
3	Increase in procurement capability	1.0	...	VicRoads has numerous initiatives in progress to support developing procurement capability.
4	Cost of procurement resources	1.7	1.3	VicRoads improved the accuracy of this performance measure, through better identification and data capture of staff involved in procurement, leading to an increase in cost of resources.
5	Supplier satisfaction (successful satisfied / unsuccessful satisfied)	88/25	88/40	VicRoads will consider the survey results and improvements that may be implemented. The satisfaction rating of successful suppliers is better than average. Only four unsuccessful suppliers responded out of hundreds of surveys sent. VicRoads considers that more suppliers would have responded to the survey if they were considerably dissatisfied.
6	Planned procurement activity	42.5	39	The 3 per cent increase is due to improved processes and practices. VicRoads is further improving the process for future years.

## VICTORIA POLICE

Victoria Police is the primary law enforcement agency of Victoria, Australia. It was formed in 1853 and operates under the *Victoria Police Act 2013*. It provides policing services to the Victorian community 24 hours a day, seven days a week, working to keep over 5.9 million Victorians safe.

### Procurement profile

To deliver policing services, Victoria Police buys an extensive range of goods and services. Victoria Police procures under a Category Management Framework made up of 11 categories (communications, information technology, properties, transportation, corporate support services, consultants and contractors, legal and evidentiary, uniform and equipment, office supplies, custodial, and operational support).

In 2016–17, Victoria Police spent \$447 million procuring goods and services. Forty-six procurements were conducted to establish new contracts with estimated values of \$100 000 or higher.

Significant procurements and sourcing activities in 2016–17 included the booze bus replacement, custody and escort services and the supply of aviation fuel, the latter two resulting in significant savings. Additionally, procurements which include the API Gateway, Case Management Practice Model, Intelligence Management Application and Mobility Managed Services form part of the Blue Connect Program which focuses on transforming the way Victoria Police collect, manage and access information and connect with the community, and supporting an agile, responsive, modern police force positioned for the future.

**AO:** Graham Ashton,  
Chief Commissioner of Police

**CPO:** Kylie Callander, A/CPO/Director,  
Procurement Department

**IPU Chair:** Andrew Loader, Executive Director,  
Enterprise Project Management Office

### Compliance with VGPB policies

Table 41 lists Victoria Police's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

Victoria Police submitted their audit results to the VGPB in July 2016. It had four low-rated risks for action, which have all been completed.

Victoria Police's IPU is called the Police Procurement Board (PPB). The PPB approves or notes all procurements valued at more than \$100 000 to ensure compliance with VGPB supply policies. In 2016–17, the PPB was assessed by the Australian Institute of Company Directors to review capability and the membership mix, resulting in nine core PPB capability standards and recommendations.

TABLE 41: VICTORIA POLICE'S COMPLIANCE ACTIVITIES IN 2016–17

VGPB POLICY	ACTIVITIES
Governance	<ul style="list-style-type: none"> <li>Improved its CMS by setting up alerts to notify requestor and governance unit:               <ul style="list-style-type: none"> <li>– of invoices/purchase orders over \$100 000 without a contract number;</li> <li>– when total conferral value of the contract is within an 80–100 per cent tolerance range; and</li> <li>– when contract spend has been exceeded.</li> </ul> </li> <li>Completed an audit by Ernst and Young on due diligence process from sourcing through to contract management.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Conducted procurement roadshows across various business units to inform staff of policy requirements with a focus on strengthening compliance on procurements valued less than \$100 000.</li> <li>Improved commercial capability through training with a commercial masterclass for procurement practitioners and senior managers and introducing early engagement of commercial advisers on a risk-based approach.</li> <li>Focused on an enhanced engagement and communication model to improve client and organisational outcomes. Among other activities, the organisation completed a staff and stakeholder engagement survey on service delivery.</li> </ul>
Market analysis and review	–
Market approach	<ul style="list-style-type: none"> <li>Adopted the Victorian Government Supplier Code of Conduct.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Used the CMS overnight data upload functionality to give contract managers data on active contracts, spend against contracts and potential contractual issues.</li> </ul>

### Activities planned for 2017-18

In 2017-18, Victoria Police will:

- review procurement and contract management processes and approval matrix to streamline procurement timeframes;
- re-establish training across the organisation, especially in contract management, procurement approach, commercial uplift and governance requirements;
- develop its engagement and communication model to improve client and organisational outcomes;
- improve the PPB's governance model by renewing the Board's membership mix and enhancing the functions of the secretariat to improve the flow of information between the Board and the rest of the organisation; and
- improve data capture methods to increase procurement intelligence by working with key business areas to integrate databases and improve access to procurement and spend information.

Victoria Police will also undergo an interim audit to keep its CIPS (Chartered Institute of Procurement & Supply) Corporate Standard Certification successfully achieved in mid-2015 (valid for three years). CIPS certification is a globally recognised accreditation for achieving excellence in procurement and supply chain policies, strategies, procedures and processes.

Renewal of Victoria Police's Corporate Certification Standard 2018 will enable the organisation to undertake a CIPS Advanced Certification to demonstrate that the procurement function is a key influencer in corporate business strategy and change programs at executive level.

## Performance in 2016–17

Table 42 sets out Victoria Police's performance in 2016–17 and a comparison with 2015–16.

TABLE 42: VICTORIA POLICE'S PERFORMANCE IN 2016–17

PERFORMANCE MEASURE		SCORE IN 2016–17 (%)	SCORE IN 2015–16 (%)	REASONS FOR PERFORMANCE SCORE
1	Value created	18.9	4.4	Several large-value procurements resulted in substantial cost savings and cost avoidance.
2	Proportion of P-Card transactions	3.0	2.4	P-Card usage has increased, resulting in improved efficiencies and reduced administrative burden for low-value purchases.
3	Increase in procurement capability	(-11.4)	2	Extended criteria question and a broader organisational assessment led to a drop-in procurement capability from 88 to 76.6 per cent. Opportunities for capability uplift identified for 2017–18 in technology and tools, contract management and performance management.
4	Cost of procurement resources	2.4	0.9	The growth in projects to support BlueConnect and Community Safety Statement Projects contributed to an increase in resourcing to support these procurements and contracts.
5	Supplier satisfaction (successful satisfied / unsuccessful satisfied)	86/0	79/57	Although based on a small sample size, most successful suppliers were happy with their experience overall. Three out of ten suppliers identified defining scope as an area for improvement.
6	Planned procurement activity	85.2	74	Overall, 11 per cent improvement due to integrating procurement planning with budget and asset planning cycles, strengthening the client liaison model and getting better data from business units.

# APPENDIX

## SEPC DATA BREAKDOWN

Table 43 details the 45 SEPC contracts approved in 2016–17.

TABLE 43: BREAKDOWN OF SEPCS APPROVED IN 2016–17

ORGANISATION	TOTAL NUMBER	TITLE/ DESCRIPTION	TOTAL ESTIMATED VALUE (\$ MILLION)	CONTRACT TERM (YRS.)	OPTIONS (YRS.)	COMPLEXITY ASSESSMENT OUTCOME	MARKET APPROACH METHOD	TYPE OF ARRANGEMENT	NO. OF SUPPLIERS
Education and Training	1	Professional learning provider panel	75.0	3	2x1	Leveraged	RFQ	Closed	25
Environment, Land, Water and Planning	11	Personnel for aerial suppressant mixing crews at airbases	0.1	1.6		Focused	RFQ	Closed	1
		Smart Planning Program governance advisory services	0.1	1.8		Transactional	RFQ	Closed	1
		Smart Planning Program statutory drafting services	0.1	0.8		Transactional	RFQ	Closed	1
		Remotely piloted aircraft systems panel of providers	0.5	1	1+1	Transactional	RFT	Open	4
		Camping equipment for base camps	0.5	4		Transactional	RFT	Closed	2
		Hoses and hose accessories	0.5	3	1+1	Focused	RFT	Closed	3
		Planning Panels Victoria preferred supplier list	0.8	2		Transactional	RFQ	Closed	10
		First aid services at planned emergency events	2.5	5		Strategic	RFT	Closed	3
		Emergency and non-emergency transport services	2.8	3	1+1	Strategic	RFT	Closed	3

ORGANISATION	TOTAL NUMBER	TITLE/ DESCRIPTION	TOTAL ESTIMATED VALUE (\$ MILLION)	CONTRACT TERM (YRS.)	OPTIONS (YRS.)	COMPLEXITY ASSESSMENT OUTCOME	MARKET APPROACH METHOD	TYPE OF ARRANGEMENT	NO. OF SUPPLIERS
Environment, Land, Water and Planning (cont.)		Engineering and professional services for asset damage assessment and preparation for insurance claims	9.0	5		Transactional	RFT	Closed	2
		Providers of organisational development services	9.0	5		Transactional	RFT	Open	18
Health and Human Services	3	IT asset disposal	0.3	3	2	Strategic	RFQ	Closed	1
		Influenza vaccine for health care workers	0.9	1	..	Leveraged	RFQ	Closed	2
		Meningococcal vaccine for the Victorian Immunisation Program	9.1	1	..	Leveraged	RFQ	Closed	1
Victoria Police	30	Youth cautioning pilot evaluation	0.1	0.2	..	Transactional	RFQ	Closed	1
		Geelong Kokoda Youth Program Australian Kokoda Tours	0.2	1	..	Transactional	RFQ	Closed	2
		Industry consultant to booze/drug bus fleet replacement project	0.2	1.5	0.6	Transactional	RFQ	Closed	1
		Mobile technology commercial specialist services	0.2	0.5	..	Transactional	RFQ	Closed	1
		Conducted energy devices holsters	0.3	3	2	Focused	RFQ	Closed	1
		Main cabin harness and headlight flasher units	0.4	1	1	Transactional	RFQ	Closed	1
		Safety glasses	0.4	3	2	Transactional	RFT	Closed	1



ORGANISATION	TOTAL NUMBER	TITLE/ DESCRIPTION	TOTAL ESTIMATED VALUE (\$ MILLION)	CONTRACT TERM (YRS.)	OPTIONS (YRS.)	COMPLEXITY ASSESSMENT OUTCOME	MARKET APPROACH METHOD	TYPE OF ARRANGEMENT	NO. OF SUPPLIERS
Victoria Police (cont.)		Panel of external experts for the Workplace Harm Independent Advisory Board	0.4	2	1	Transactional	RFQ	Closed	6
		Extendable batons	0.4	3	2	Transactional	RFT	Closed	1
		Protective marking software for Outlook and Microsoft Office	0.4	3	..	Transactional	RFQ	Closed	1
		Two laser 3D scanners and two desktop computers	0.5	2	3	Transactional	RFT	Closed	1
		Handcuffs	0.6	3	2	Transactional	RFT	Closed	1
		Helmets, respirators and filters	0.7	3	2	Focused	RFQ	Closed	1
		Remote positioning vehicle – small	0.9	5	..	Transactional	RFQ	Closed	1
		Baseline ballistic testing of Integrated Operational Equipment Vests	0.9	0.5	..	Focused	RFQ	Closed	1
		Digital In-Car Video systems	0.9	3	2	Transactional	RFT	Closed	1
		Armoured special purpose vehicles x 3 (and maintenance support)	1.2	5	..	Focused	RFQ	Closed	1
	Disposable plastic mouthpieces to fit the Lion Alcolmeter SD- 400 touch preliminary breath test units	1.6	3	2	Transactional	RFQ	Closed	1	

ORGANISATION	TOTAL NUMBER	TITLE/ DESCRIPTION	TOTAL ESTIMATED VALUE (\$ MILLION)	CONTRACT TERM (YRS.)	OPTIONS (YRS.)	COMPLEXITY ASSESSMENT OUTCOME	MARKET APPROACH METHOD	TYPE OF ARRANGEMENT	NO. OF SUPPLIERS
Victoria Police (cont.)		Remote positioning vehicle – large and medium	2.2	3	..	Focused	RFQ	Closed	1
		Panel for e-Crime digital forensic and investigation products	2.5	3	2	Transactional	RFQ	Closed	6
		Veritas licensing, maintenance and technical support	3.3	3	..	Transactional	RFQ	Closed	1
		Evidential drug testing kits	3.3	3	2	Transactional	RFQ	Closed	1
		Aviation fuel (BP) – Victoria Police Air Wing (VPAW)	3.9	3.5	..	Transactional	RFQ	Closed	1
		Police patrol vessels	7.2	2.5	..	Focused	RFT	Closed	4
		Preliminary drug testing cartridges	8.0	3	2	Focused	RFQ	Closed	1
		Oracle database and replication licences including support maintenance	8.7	5	..	Transactional	RFQ	Closed	1
		Metropolitan towing services	9.6	3	2	Leveraged	RFT	Closed	11
		Intelligence management application	65.5	7	6	Strategic	RFT	Closed	1
		Custody and escort services	72.9	3	4	Strategic	RFT	Closed	1
		Mobility managed service	228.6	5	6	Strategic	RFT	Closed	1
<b>Total</b>	<b>45</b>		<b>537.2</b>						

RFQ = Request for quote, RFT = Request for tender

# ACRONYMS

<b>ASR</b>	Annual supply report	<b>IBAC</b>	Independent Broad-based Anti-corruption Commission
<b>CIPS</b>	Chartered Institute of Procurement & Supply	<b>ICT</b>	Information and communications technology
<b>CMS</b>	Contract management system	<b>IPU</b>	Internal procurement unit
<b>CPO</b>	Chief procurement officer	<b>IT</b>	Information technology
<b>DEDJTR</b>	Department of Economic Development, Jobs, Transport and Resources	<b>PTV</b>	Public Transport Victoria
<b>DELWP</b>	Department of Environment, Land, Water and Planning	<b>RFQ</b>	Request for quotation
<b>DET</b>	Department of Education and Training	<b>RFT</b>	Request for tender
<b>DHHS</b>	Department of Health and Human Services	<b>SEPC</b>	Sole entity purchase contract
<b>DJR</b>	Department of Justice and Regulation	<b>SPC</b>	State purchase contract
<b>DPC</b>	Department of Premier and Cabinet	<b>VGPB</b>	Victorian Government Purchasing Board
<b>DTF</b>	Department of Treasury and Finance	<b>VPS</b>	Victorian public sector
<b>EOI</b>	Expression of interest	<b>WoVG</b>	Whole of Victorian Government
<b>FMA</b>	<i>Financial Management Act 1994</i>		
<b>GST</b>	Goods and services tax		

For a full glossary of terms, refer to [procurement.vic.gov.au/About-the-VGPB/Glossary](https://procurement.vic.gov.au/About-the-VGPB/Glossary)

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