

Achieving
excellence
in government
procurement



VICTORIAN GOVERNMENT
PURCHASING BOARD



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MESSAGE FROM THE CHAIR



Over the past year, the Victorian Government Purchasing Board (VGPB) made important progress on its four strategic priorities. These priorities were established in March 2021 as part of our three-year

strategic plan to advance the VGPB's mission to build long-term value for government procurement. With the plan now in its third year, it was timely for the Board to reflect on the progress made against these strategic priorities.

Given the good results we are seeing across all areas, we have introduced a fifth strategic priority this year focused on uplifting procurement capability across the Victorian Government. This priority will further support work under our existing priorities to streamline and simplify procurement processes across the Victorian Public Service.

Following a machinery of government change effective 1 January 2023, the VGPB and the supporting team from the Department of Treasury and Finance (DTF) transitioned to the newly established Department of Government Services (DGS) to support the Minister for Government Services in implementing the Government's vision for fit-for-purpose procurement.

I am excited about our continued progress and some of our achievements are featured through the case studies in this report.

DELIVERING OUR STRATEGIC PRIORITIES

We now have in place a leading-edge procurement data analytics function in DGS. This function is helping to identify opportunities for cost savings with new state purchase contracts (SPCs) and providing customised dashboards for SPC category managers to drive data-based decision-making.

In 2021–22, the VGPB led an intensive engagement program to support around 125 expansion agencies to transition to the VGPB framework. This year, we've deepened our engagement across the broader group of agencies now under the VGPB. We're providing ongoing support to help agencies strengthen their alignment with VGPB policies and to transition agencies to SPCs where its beneficial. We recognise and appreciate the dedication shown by these expansion agencies in transitioning and embedding new ways of working.

On the policy front, the VGPB created new guidance material in consultation with chief procurement officers (CPOs) to help buyers achieve better value for money and ensure compliance with transparency requirements. We continue to simplify and streamline the way in which government buyers navigate the procurement landscape, and this remains a strategic focus for the Board in the coming year.

In January this year, the VGPB reviewed progress against the strategic priorities developed in 2021. A key outcome from this review was agreement on the importance of continuing to focus on streamlining and simplifying the procurement landscape for both buyers and suppliers. To this end, it was agreed that the VGPB could play a larger role in building procurement capability across government. This will help buyers to navigate the procurement landscape and uplift engagement with the supply market. As a result, the Board has added this as an additional strategic priority. Work has already started to develop a capability strategy, with the initial objective of releasing a set of eLearning modules.

BOARD RENEWAL

I am very pleased to welcome incoming Board member, Charleene Mundine who joined the Board in July 2022. Charleene brings a wealth of experience across the procurement landscape, including social procurement and working with Aboriginal businesses. Charleene has already made a significant contribution in her first year of service. During the year, we also reappointed two Board members, Denise Dyer and Peter Lane, for another three-year term. They each continue to share their expertise and insightful perspectives.

I look forward to working with all Board members in this next phase of the VGPB's development.

STAKEHOLDER ENGAGEMENT

Throughout 2022–23, the VGPB expanded its engagement with a range of stakeholders to raise the profile of procurement as a source of significant value and policy development and build awareness of the value that procurement professionals can bring. It has been a pleasure for the Board to welcome department and expansion agency CPOs to our meetings. These engagements have helped deepen the VGPB's understanding of the varied procurement operations, challenges and achievements across the expanded group of VGPB agencies, which helps us to target our priorities and activities to their needs.

On behalf of the Board, I would like to thank the team in DGS for their continued hard work and support to the VGPB. Thank you also to the CPOs of the departments and agencies and their teams for their cooperation and support in helping us progress our strategic priorities.



Nadine Lennie

Chair, Victorian Government Purchasing Board

THE VGPB AT A GLANCE

Vision

Provide leadership in government procurement of goods and services to deliver value-for-money outcomes for Victoria

VGPB functions under the FMA

- Develop, implement, and review supply policies and practices
- Monitor compliance by departments and specified entities
- Foster improvements in procurement practices
- Establish and maintain a comprehensive database of purchasing data of departments and specified entities and supply markets for access by departments and specified entities

Principles

All procurement activity must meet four principles:

- Value for money
- Accountability
- Probity
- Scalability

Policies

Five policies to cover end-to-end procurement activity:

- Governance
- Complexity and capability assessment
- Market analysis and review
- Market approach
- Contract management and contract disclosure

Strategy

Five strategic priorities:

- Enhance procurement systems and data
- Deliver the expansion program
- Improve visibility and support for good procurement
- Create fit-for-purpose procurement
- Build procurement capability

Network

VGPB policies and oversight cover all Victorian Government departments and entities subject to the **Standing Directions 2018** (a list of agencies can be found on **Buying for Victoria**). The VGPB works closely with its stakeholders to ensure its policies are modern, relevant and easy to apply.

ABOUT THE VGPB

The Victorian Government Purchasing Board (VGPB) is a Victorian Government-owned body corporate established under the *Financial Management Act 1994* (FMA). The VGPB sets the supply policies that govern procurement of non-construction goods and services across all **Victorian Government departments and specified entities** subject to the **Standing Directions 2018 under the *Financial Management Act 1994*** (2018 Directions).

Effective procurement saves time and money, reduces risk and supports a well-functioning government to deliver high quality public services to the Victorian community.

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

The VGPB's role is to:

- develop, implement and review supply policies and practices
- monitor compliance by departments and specified entities
- foster improvements in procurement practices
- establish and maintain a comprehensive database of purchasing data of departments and specified entities and supply markets for access by departments and specified entities.

This annual report summarises the work carried out to meet our legislative obligations and achieve our vision over the past financial year from 1 July 2022 to 30 June 2023.

This report is required under section 54M of the FMA and is available for download at buyingfor.vic.gov.au/annual-reports in PDF and accessible online format.

REPORTING STRUCTURE

The VGPB reports directly to the Minister for Government Services and is supported by the Procurement Policy and Analytics team in the Department of Government Services (DGS).

SCOPE OF VGPB POLICIES

Under section 54B of the FMA, the VGPB is responsible for monitoring compliance by departments and specified entities with VGPB supply policies.

Effective 1 July 2021, the VGPB expanded its scope to include agencies subject to the **2018 Directions** (with some exceptions).

The VGPB's goods and services policies apply to:

- departments and specified entities including VGPB expansion agencies from 1 July 2021
- Victorian Public Sector Commission (VPSC)
- offices or bodies specified in section 16(1) of the *Public Administration Act 2004*
- administrative offices established in relation to a department under Section 11(a) of the *Public Administration Act 2004*.

For a list of departments and agencies bound by VGPB policy, refer to www.buyingfor.vic.gov.au/goods-and-services-mandated-agencies.

VGPB POLICY FRAMEWORK

The VGPB policy framework is comprised of five principle-based policies which support a strategic and efficient approach to the procurement of goods and services:

- Governance
- Complexity and capability assessment
- Market analysis and review
- Market approach
- Contract management and contract disclosure.

The framework covers the whole procurement lifecycle from governance and strategy through to contract management and disclosure. Government departments and agencies operating under the VGPB framework must align their internal policies to the five VGPB policies.

VGPB policies emphasise forward planning and analysis to inform the procurement strategy, and ensuring appropriate capability to match the complexity of procurements.

The policies are underpinned by the principles of probity, accountability, scalability and value for money. Each policy is supported by good practice guides, tools and templates to assist buyers and enable consistent application across government.

Every VGPB agency adopts a procurement governance framework, strategy, policies and processes scaled to its procurement profile and must have the appropriate capability and oversight to carry out its procurements.

In addition to VGPB policies, there are a range of **procurement-related policies** that leverage government procurement to achieve broader policy outcomes, such as inclusive employment and environmental sustainability.

BOARD MEETINGS

The VGPB meets once every two months to progress its work program.

The Board held six meetings over the reporting period. Meeting attendance is listed in Table 1.

Table 1: Board meeting attendance in 2022–23

Board member	Member since	Meetings attended	Planning days attended
Nadine Lennie (Chair)	10 October 2020	6 of 6	1 of 1
Charleene Mundine	1 July 2022	4 of 6	1 of 1
Claire Thomas	1 July 2018	6 of 6	1 of 1
Denise Dyer	1 July 2019	6 of 6	1 of 1
Peter Gluskie	3 August 2021	6 of 6	1 of 1
Peter Lane	1 July 2019	5 of 6	1 of 1
Raoul Wainwright	1 June 2021	5 of 6	1 of 1
Samantha Winter	10 October 2020	6 of 6	1 of 1

BOARD MEMBERS

The VGPB has a chairperson and requires a minimum of six other members. Board members are selected based on experience and expertise relevant to the work of the Board. They can be internal or external to government.

In July 2022, new member Charleene Mundine was appointed to the Board and Denise Dyer and Peter Lane were reappointed for a second three-year term.



NADINE LENNIE (CHAIR)

Nadine Lennie is a finance professional with more than 25 years of experience in procurement across large-scale programs to deliver projects in both the public and private sectors. Nadine brings to the position of chairperson extensive financial acumen, experience working in government policy frameworks and expertise in leadership and board management.

Nadine is currently the Group Chief Financial Officer at Transgrid, having previously held the position of Group Chief Financial Officer at Atlas Arteria, an international toll road company based in Melbourne.



CHARLEENE MUNDINE

Charleene Mundine is a procurement professional with experience in a diverse range of delivery environments, including large infrastructure and multidisciplinary building projects. Charleene is the Founder and Director of DLCM, an organisation supporting First Nation and socially diverse communities.

Leveraging her cultural heritage as a Wehabal woman from the West Bundjalung nation, Charleene works with government, non-profit and corporate sectors to improve economic participation for First Nation people through procurement and employment strategies.



CLAIRE THOMAS

Claire Thomas is an economics professional with a background in public policy and administration. Now an independent public policy consultant, Claire has provided economic and public policy advice to a range of government and not-for-profit organisations.

Claire is currently an independent member of the Department of Justice and Community Safety Audit and Risk Management Committee.



DENISE DYER

Denise Dyer is a multi-skilled professional with extensive experience in procurement, property and stakeholder relationship management. She has expertise in delivering major capability and change projects including information technology initiatives across a large, complex government business enterprise.

Denise also has a background in finance, consulting and in achieving social procurement outcomes in sourcing activities. Previously Denise chaired the Corporate Real Estate Committee of the Victorian Property Council, and was the Company Secretary of corProcure, a joint venture between major corporations to promote global buying. Denise is currently the Associate Director Campus and Asset Services at Swinburne University of Technology.



PETER GLUSKIE

Peter Gluskie is an information and communications technology (ICT) professional with significant procurement experience in a range of sectors including technology, telecommunications, supply chain and FMCG (fast-moving consumer goods) organisations.

Peter brings to the VGPB significant experience leading complex technology transformation projects and procurements, along with expertise in governance, data and insights, complex problem-solving and financial management. Peter is currently a director/principal at Eagle Advantage Pty Ltd, a program management and strategy delivery consultancy.



PETER LANE

Peter Lane is an experienced information technology professional primarily in the private sector and is currently the Chief Information Officer for Goodstart Early Learning. Before this, Peter was employed in the Victorian Public Service as Chief Information Officer in the former Department of Jobs, Precincts and Regions.

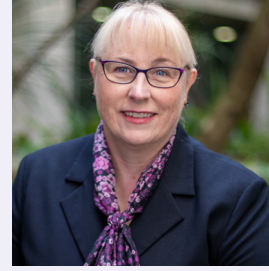
Peter has a background in consulting in the United Kingdom and as a technology professional with General Motors. Peter has provided leadership and expertise to the Board, particularly in relation to oversight of technology SPCs and the VGPB’s strategic priority to enhance procurement systems and data.



RAOUL WAINWRIGHT

Raoul Wainwright is an experienced industrial advocate, with a strong background in workplace relations and community services. Raoul has substantial experience in public policy development and working with government at all levels.

Raoul brings a practical understanding of the role of procurement in driving social, employment and environmental outcomes, in line with the Government’s commitment to driving deeper value for money from procurement, including through the Social Procurement Framework.



SAMANTHA WINTER

Samantha Winter is an accomplished finance executive, non-executive director and audit and risk committee chair. Samantha brings extensive commercial expertise, including significant goods and services procurement across the private and not-for-profit sectors.

Samantha has a wealth of knowledge and experience in strategic planning, ICT and project delivery, business improvement and general management in a range of complex service organisations overseeing diverse operations and stakeholders.

ASSESSING THE VGPB'S PERFORMANCE

Each year, VGPB members conduct individual and Board assessments of performance over the previous 12 months and identify opportunities for improvement. In line with VPSC good practice guidance, the self-assessment considers several key areas, including fulfillment of legislative requirements, strategic leadership, governance, board meetings and decision-making, integrity, diversity and stakeholder relationships.

Board members reflected on the VGPB's strong focus on strategic leadership, governance and decision-making; with key themes aligned to the VGPB's strategic priorities. Members noted the success of the VGPB's meaningful engagement with a diverse range of key stakeholders, and value of ongoing programs of work such as compliance monitoring, improving data management and reporting. Members also noted the value delivered from the dedicated focus on the VGPB's strategic priorities, including ensuring policies and guidance are fit-for-purpose, and the importance of identifying further opportunities for driving uplift in procurement capability and visibility across government.



PRIORITY 1:

ENHANCE PROCUREMENT SYSTEMS AND DATA

Good procurement systems and data analytics are the cornerstones of modern procurement. Procurement systems enable efficiency and control over the purchasing process, while good data provides valuable business intelligence and actionable insights.

Over the past year, the DGS team (formerly part of DTF) has continued to deepen its procurement data and analytics capability and progressed the Supplier Hub project.

Under the oversight of the VGPB, DGS continues to lead these two technology-related initiatives to improve procurement outcomes.

IMPROVE PROCUREMENT DATA AND ANALYSIS

Procurement spend data and analysis project

The procurement spend data and analysis project, which began in 2020, collects, consolidates and classifies spend data from all departments, Victoria Police, Major Transport Infrastructure Authority (MTIA) and Cenitex. With the collection and classification of data largely automated, the focus of work in 2022–23 has been to continuously improve the machine learning classification model to improve accuracy and develop and improve dashboards for CPOs and SPC category managers to enable data-driven decisions.

The data has been an important input for identifying potential new SPCs, with several new SPC opportunities identified and investigated during the year.

DGS has also brought collection and analysis of non-ICT SPC supplier reporting in-house, improving data quality and completeness and creating a series of dashboards for SPC category managers. Together with classified accounts payable data, the new dashboards enable more effective SPC category management by supporting category managers to identify patterns, trends, opportunities and gaps in service provision, and to monitor spend, compliance and performance.

Sharing knowledge

A key focus for the DGS systems and data team in 2022–23 has been developing analysis and dashboards for the CPOs of all government departments, MTIA, Victoria Police and Cenitex to enable them to get to conduct their own analysis of their classified data. These organisations now have access to a consolidated view of their departmental procurement spend. The dashboards and analysis will be a valuable tool to support CPOs to address SPC leakage and support informed, data-based decision-making.



CASE STUDY

Dashboards drive category management efficiency

Understanding procurement data enables well informed, data-driven decision-making. DGS knows the value to be achieved from good data analytics – from ensuring the quality and completeness of the data collected to designing and building custom dashboards for performance analysis.

In 2022–23, the DGS procurement data analytics team developed dashboards for all non-ICT SPCs and registers. These interactive tools present key procurement metrics for each SPC, such as spend analysis, supplier performance, compliance and usage patterns. They provide insights into the way buyers and suppliers interact through the SPC and are already supporting day-to-day category management and informing longer-term category strategies.



The new dashboards enable more effective SPC category management by supporting category managers to identify patterns, trends, opportunities and gaps in service provision, and to monitor spend, compliance and performance.

Access to this information is helping SPC category managers better engage with departments and agencies. By seeing the story within the data, category managers can:

- share new insights, including demand profiles and supplier utilisation
- lead impactful discussions with key stakeholders such as the SPC user reference groups.

Over the next year, the team will focus on expanding the suite of dashboards and developing dashboards for the ICT SPCs.

DELIVER A SINGLE SUPPLIER HUB

During 2022–23, the Supplier Hub project (previously the Supplier Portal) was incorporated into the **Digital Marketplace** project led by Digital Victoria. Merging the Supplier Hub with another broader government procurement system brings both online platforms together providing a more streamlined experience for buyers and suppliers.

This major milestone will provide a single platform for suppliers to provide profile information for all government buyers to view and access. Importantly, this will make it easier for suppliers to do business with the Victorian Government by reducing their administrative burden.

Suppliers can update their profiles to include insurances, accreditations and key supplier contact details to receive automated Victorian Government communications on policy updates, announcements and – for SPC suppliers – opportunities to tender.

The Supplier Hub will provide government buyers with visibility of all registered suppliers. With enhanced search capability, it will improve the visibility of smaller suppliers to Victorian Government buyers and promote social and local procurement initiatives.

The Supplier Hub will be progressively rolled out from July 2023.

Highlights in 2022–23



Strengthened in-house analytical capabilities



Improving SPC compliance through leakage reporting



Supplier Hub launch



CASE STUDY

Digital Marketplace and Supplier Hub to transform procurement processes from the ground up

The Digital Marketplace is a Victorian Government initiative to improve how government engages with industry and procures from SPCs.

The Digital Marketplace will improve the accessibility of SPCs across the Victorian Government by digitising procurement engagement processes and streamlining the management of requests for supplier information and quotes, by capturing the source-to-award process information in one place. In parallel, a program of work is under way to simplify the contractual agreements and procurement processes for the eServices Register, the State's largest register, to reduce the complexity of the buying process and make it easier for businesses when supplying ICT services to the Victorian Government.

The Digital Marketplace went live in February 2023 with Amazon Web Services added as the first SPC. This was followed by the Citrix and SAP SPCs. Further SPCs will be progressively available through the Digital Marketplace in 2023–24.

The Digital Marketplace program, through its Supplier Hub stream, is transforming the way the government's suppliers will register their details when providing both goods and services. Currently suppliers register separately with each Victorian Government department and agency they engage with, which is time consuming for suppliers and leads to duplication of supplier profiles across many different departments.

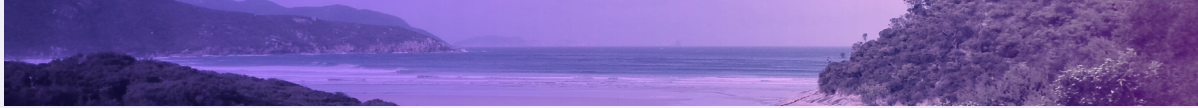
With the introduction of the Supplier Hub, businesses interested in supplying goods and services to the Victorian Government can self-register their business details and easily outline their service offering to government buyers through a centralised online platform. This platform will house all supplier information including accreditations, certifications and insurance documents in one central location, accessible by all government departments and other state purchasing entities.

Suppliers will have complete control to build their business profiles and can incorporate evidence of their alignment with various Victorian Government initiatives such as the Social Procurement Framework and the Fair Jobs Code.

The Digital Marketplace and Supplier Hub will work side by side bringing together benefits of centralisation and digitisation to make buying and selling with government easier, simpler and more equitable.

Priority 1:
Enhance
procurement
systems and
data

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PRIORITIES 2 AND 3:

DELIVER THE EXPANSION PROGRAM AND CONTINUE TO SUPPORT GOOD PROCUREMENT

In 2021, the VGPB expanded its goods and services procurement policy framework to include a further 125 agencies, including TAFEs, water corporations and catchment management authorities.

All agencies subject to the **2018 Directions** are now under the VGPB, with some exclusions such as health agencies and universities. This aligns the VGPB with the scope of procurement policies for construction and social procurement.

This broader application of VGPB policies is embedding consistent best practice procurement governance arrangements and processes across government. It will also lead to greater oversight of government spending and wider leveraging of SPCs. Suppliers can expect to see benefits such as greater visibility of upcoming procurement opportunities and contracts awarded.

Starting from 30 June 2022, departments and agencies are now required to assess their compliance with the VGPB policy framework under the existing annual **2018 Directions** attestation process. To help agencies with their first compliance assessment, the VGPB ran a series of online workshops in the lead-up to 30 June 2022. To see a summary of compliance assessment results, refer to the Compliance section later in this report.

TRANSITION TO STATE PURCHASE CONTRACTS

Incoming agencies are continuing to transition to SPCs. SPCs can reduce the time and money spent on procuring commonly purchased goods and services as they offer access to aggregated demand, increased contract efficiency through pre-agreed contract terms, and centralised supplier due diligence, oversight and contract management.

The transition to SPCs has been staggered over two years based on agency size. Large and medium-size agencies have mostly transitioned with smaller agencies scheduled to begin their transition towards the end of 2023.

MEASURING SUCCESS

The VGPB is leveraging existing reporting processes to monitor the transition of expansion agencies to its policy framework and SPCs. Performance metrics have been developed to assess the effectiveness and long-term benefits of the expansion program, including data on compliance and SPC transition and spend. Financial and non-financial benefits associated with SPCs will continue to be reported to the VGPB through the existing SPC benefits and value framework.

Expansion agencies have always had access to SPCs. Many were already using some SPCs before the expansion program. The expansion program has mandated their use.

Both large and medium expansion agencies, required to transition from December 2021 and June 2022 respectively, or at the conclusion of existing contracts, have made good progress in transitioning to mandated SPCs, with uptake ramping up in the lead-up to their respective transition dates.

To support their transition, DGS has proactively engaged in one-on-one consultations with each of the large and medium expansion agency CPOs to identify and address any remaining barriers to SPC uptake.



CASE STUDY

VGPB's expansion program elevating procurement at Parks Victoria

Parks Victoria was one of 125 agencies that transitioned to the VGPB's goods and services procurement policy framework in 2021–22. Following implementation of the VGPB policy framework, the executive team endorsed a three-year procurement strategy and appointed a CPO to roll out the strategy, raising the profile of procurement within the organisation.

Following the adoption of the VGPB procurement framework, Parks Victoria has been transitioning to SPCs and benefitting from greater procurement consistency, streamlined processes, reduced procurement risk, central administration of the master contract and economies of scale that are driving efficient government procurement.

Parks Victoria is also looking for opportunities to set up internal panels for Park-specific procurements to expand these benefits to commonly purchased goods and services.

"We are still early in our transition," explained Zoanne Morrissy, Parks Victoria's inaugural CPO, "but we're already saving time and getting great outcomes from SPCs. These contracts are great for our staff, many of whom work out in the field but still need to do procurement from time to time without being a procurement expert."

The staffing services SPC, for example, has proven particularly beneficial, as it provides the flexibility needed for seasonal employment surges during the warmer months through a panel of suppliers.

Even access to the stationery SPC is modernising the way staff buy office supplies. Staff can now order online, with most deliveries arriving the next day, eliminating the need for time-consuming drives to pick up supplies.

To support the rollout of the procurement strategy, Parks Victoria is undertaking a capability assessment to identify priority procurement capability needs across the organisation. Parks Victoria is also planning to invest in new systems and, in line with VGPB policies, will release a more detailed forward procurement plan to increase opportunities for regional suppliers.

According to Zoanne, the support provided by the VGPB, including regular meetings and community of practice forums, has been invaluable during their transition.

"I've always seen procurement as an enabler to get the best business outcomes," added Zoanne. "With an organisation as diverse as ours, transformation takes time. This is just the beginning."

About Parks Victoria

Parks Victoria is responsible for managing a diverse estate of more than 4 million hectares including 3 000 land and marine parks and reserves making up 18% of Victoria's landmass, 75% of Victoria's wetlands and 70% of Victoria's coastline.

Image credit: Parks Victoria

Priorities 2 and 3: Deliver the expansion program and continue to support good procurement

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ENGAGEMENT

In 2022–23, the Board continued its broader engagement with stakeholders to build cooperation across government and with public sector leaders to raise awareness of the role played by good procurement in achieving government objectives.

Figure 1: Department and expansion agency presentations at board meetings in 2022–23

August 2022 Department of Health
October 2022 Victoria Police Ambulance Victoria V/Line
December 2022 Department of Education
February 2023 Cenitex
April 2023 WorkSafe Victoria Parks Victoria
June 2023 State Emergency Services Grampians Wimmera Mallee Water

As in previous years, department and expansion agency CPOs were invited to attend Board meetings, providing a platform to share their procurement experiences, insights and success stories (see Figure 1). This gives the Board greater insight and understanding of the different procurement profiles across government.

Throughout 2022–23, Board members attended over 10 meetings with departmental audit committee chairs, deputy secretaries and CPOs. The VGPB Chair also met with the Local Jobs First Commissioner to build a common understanding of the challenges and opportunities for procurement in Victoria.

Board member expertise and input is also sought on a range of other engagements. In 2022–23, a Board member was asked to represent the VGPB as non-voting member on the project control board for a significant, complex procurement. The VGPB member provided valuable insights, to ensure the complexities of the procurement process were considered and a value-for-money outcome was achieved.

The VGPB also engaged a wider procurement audience by presenting at the Construction Community of Practice forum in July 2022 to promote the launch of its new **Emergency Procurement Policy**. The Board also presented at the Government Buyers' Community of Practice forum in March 2023 with an overview of recent VGPB activities.

'Regular engagement with our agencies helps the Board to understand if procurement policies are fit for purpose and how the Board can best support and guide better procurement outcomes.'

Nadine Lennie
VGPB Chair

Priorities 2 and 3: Deliver the expansion program and continue to support good procurement



CASE STUDY

How technology is improving procurement at Melbourne Water

Recent investments in procurement technology at Melbourne Water are improving governance, compliance and risk management, while also providing the data to drive further transformation.

As a large organisation with a yearly multi-million spend in capital works and maintenance services, effective procurement is essential to operations at Melbourne Water. Around 18 months ago, Melbourne Water undertook a procurement review and assurance program across the organisation to better understand their business needs. This identified several strategic transformation areas to improve procurement and contract governance and performance.

An early priority emerging from the review was to implement new technologies such as a spend analytics tool and procurement dashboards to gain better visibility into Melbourne Water's spend categories and suppliers. In addition to supporting category management spend governance and identifying opportunities for aggregation, this information also helps the team monitor compliance and anticipate and mitigate supply chain risks to ensure business continuity.

Dashboards have improved procurement reporting capabilities for better oversight and planning. One dashboard shows spend against contracts enabling early identification of issues. Another dashboard alerts the team to upcoming procurements and contract expirations, enabling early engagement with business units for forward procurement planning. Melbourne Water is now expanding these dashboards to provide insights into other areas, such as Traditional Owner relationships, modern slavery risks and supplier commitments to create local jobs.

Having better data on compliance and procurement risks and opportunities has given Melbourne Water a better understanding of their procurement and contract management function. The data is being fed back into their procurement transformation and is helping resource their team to provide first line assurance.

Melbourne Water's CPO, Karl Gill noted the benefits of the new investments: "Having the right procurement technology and good quality data at our fingertips is transforming our procurement and contract management team and putting us on a path of continuous improvement."

About Melbourne Water

Melbourne Water is owned by the Victorian Government and is the supplier of wholesale water, sewerage, drainage and waterway management services for greater Melbourne.

Priorities 2 and 3: Deliver the expansion program and continue to support good procurement

Image credit: Melbourne Water

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PRIORITY 4:

CREATE FIT-FOR-PURPOSE PROCUREMENT

A key focus for the VGPB is to simplify and streamline government procurement to help make the Victorian Government a buyer of choice. The VGPB does this by addressing barriers to fit-for-purpose procurement, which are identified through both consultation and ongoing feedback channels.

In 2022–23, the VGPB progressed two projects under this priority to improve value-for-money outcomes in procurement. A [contract disclosure guide](#) to support buyers' compliance with disclosure requirements was also developed and published on the Buying for Victoria website in December 2022.

The VGPB is also overseeing a project to review and simplify its standard form contracts and templates and develop guidance for buyers and suppliers to explain the clauses. These updated templates will support buyers to better navigate and implement policies and provide consistency for suppliers. These templates are expected to be published on the Buying for Victoria website in 2023–24.

NEW POLICIES AND GUIDANCE MATERIAL

Improving value-for-money outcomes

The Government uses its spending power to achieve a range of policy outcomes for Victorians. Consultation and research show that it can be challenging for buyers and suppliers to understand how these policies intersect when navigating the procurement process. To address this, the VGPB is strengthening its guidance on evaluating value for money. This will help departments and agencies assess and achieve value for money when weighing up multiple government policy outcomes during the procurement process.

Value for money is a foundational principle of the VGPB policy framework. It involves carefully evaluating many competing factors to procure the most suitable product or service. The new guide will reinforce the requirement to show value for money when procuring goods and services and includes an updated definition of value for money with broader government objectives and supplier capability.

The guide emphasises value for money across the entire lifecycle of goods and services and explains how to assess and achieve this. It links strategic planning with planning for individual procurements.

Supporting collaboration across Government

Collaboration within and between departments and agencies when buying goods and services offers many benefits. SPCs and sole entity purchase contracts (SEPCs) that combine demand for commonly used goods and services are examples of where collaboration has led to improved value for money, standardised procurement processes and reduced duplication.

Consultation and research have identified other opportunities for departments and agencies to work together to improve value-for-money outcomes. Work is currently under way to update the VGPB market analysis and review policy and related guides to facilitate collaboration in procurement. The updated policy and guides will set out a clear and consistent approach to collaboration between agencies.

The updated policy and guides are expected to be released by the end of 2023.

Improving contract disclosure guidance

Contract disclosure, including disclosure of variations, ensures high standards of probity and transparency in government procurement. Disclosing contracts builds public trust and allows suppliers and the Victorian community to access clear and accurate information on government contracts and see how agencies perform their functions.

Through department and agency feedback, the VGPB identified common issues with interpreting and applying contract disclosure policy requirements. In response, the VGPB released a [contract disclosure guide](#) to help buyers comply with disclosure requirements in the VGPB's contract management and contract disclosure policy. The guide details how to publicly disclose contractual information in different scenarios. It is expected to promote policy compliance and increase consistency of contract disclosures across government.



CASE STUDY

Department of Education's unprecedented air purifier procurement mission for safe schools

With the threat of COVID-19 still looming in 2022, the Department of Education (DE) (formerly the Department of Education and Training) took on the massive task of rapidly procuring and delivering 51 000 air purifiers to 2 177 schools across Victoria over a four-month period.

Despite the tight timeframe, the department was able to quickly mobilise a team to work with a variety of suppliers, including social benefit supplier Wallara, to ensure the safe delivery of the air purifiers just in time for the start of the school year.

A team effort from start to finish

DE worked with the Department of Health and the Department of Jobs, Precincts and Regions (now the Department of Jobs, Skills, Industry and Regions) to develop a suitable design specification and activated its Emergency Procurement Plan to enable a streamlined and flexible procurement process to facilitate a swift response to the needs of the project.

"The VGPB's policies relating to emergency procurement allowed us to deliver the air purifiers in a timely manner," said Sandy Carveth, CPO at DE.

Once the air purifiers were sourced, the warehousing and distribution of the 51 000 units presented another challenge. Existing lists of warehouse and distribution services were unable to fully meet the requirements due to COVID and fuel shortages, so the department had to explore other options.

DE secured seven suppliers to deliver the units. This included a mini consortium of social benefit suppliers led by Wallara who delivered a total of 10 000 units.

"Our procurement team worked round the clock, leveraging existing contracts and even recruiting 20 volunteers from within the department, to overcome the challenges of delivery logistics," added Sandy.

"But the success of this procurement mission would not have been possible without the help of suppliers."

Coordinating with school security officers enabled delivery during the school holidays, and as a result, the last 500 air purifiers were delivered just in time for the start of term 1.

Maintaining good procurement throughout

Although facing tight timelines and frequent contract negotiations, DE secured good value for money, including a per unit cost from the supplier that was below market rates and included all freight costs.

The department's commitment to prioritise the safety of teachers and students exemplifies how teamwork, determination and a good procurement strategy can overcome the most difficult obstacles.

'What we are most proud of is that, despite the tight timeframes, we were still able to achieve good value for money.'

Sandy Carveth

CPO at Department of Education.

Image credit: Department of Education

Priority 4:
Create fit-for-purpose procurement

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PRIORITY 5:

BUILD PROCUREMENT CAPABILITY

In early 2023, the VGPB held a strategic planning session with the CPOs from all departments and VGPB accredited agencies. Attendees reviewed the Board's progress against its three-year strategic priorities plan agreed in 2021 and identified emerging priorities.

A key output of this session was the inclusion of a new strategic priority to build procurement capability across departments and agencies. The VGPB and CPOs recognise that good procurement is a strategic function that is critical to government service delivery.

Procurement capability is generally improved through changes to systems, policies and people. The VGPB's strategic priorities 1 and 4 already contribute significantly to supporting procurement teams through improved systems, data and fit-for-purpose policies and guidance.

To uplift capability across government, the VGPB developed a procurement capability strategy. The strategy recognises that procurement is largely delivered through decentralised models supported by central procurement policy teams, which means that learning and development tools need to be developed to support both procurement professionals and general government buyers across departments and agencies.

Phase one of the strategy will be implemented in the first half of 2023–24, with the launch of a central learning management system that enables departments and agencies to access consistent training resources aligned to VGPB policies. Resources will be available online and on demand, with initial modules capturing foundational procurement and contract management.

Enhancing procurement capability by building competencies will elevate procurement functions across departments and agencies. This will deliver consistent procurement processes, resulting in better value-for-money outcomes across the Victorian Government.

In the coming year, the VGPB will further develop its capability strategy to support the training needs of departments and agencies.



CASE STUDY

The Department of Families, Fairness and Housing's online training transformation

Across the Victorian Government, departments and agencies are transforming the way they deliver procurement training.

The Department of Families, Fairness and Housing (DFFH) recently developed online learning modules to build capability across the department in procurement planning, governance, probity, evaluation and contract management. The online learning modules are available on demand, giving employees the flexibility to complete the training at a time and location that suits their needs. The learning modules can be mandated for staff as appropriate, with the ability to report on staff that have done the training.

A key challenge in building procurement capability is that while large, strategic procurements are typically conducted by procurement specialists, most small transactional procurements are conducted by the relevant business area, so the employees responsible for the procurement may have less experience in government procurement and contract management.

By moving to online, on-demand delivery, DFFH has been able to roll out training to far more employees than was possible with face-to-face training. The expansion of training is already having an impact, with greater engagement of employees across DFFH with the central procurement team. The team is also seeing an improved understanding of procurement and contract management policies and processes among DFFH staff.

By investing in scalable online training, DFFH is leading the way in procurement capability development.

'The feedback on both modules has been overwhelmingly positive. The central procurement team has noted increased procurement capability when engaging with the business.'

Danielle Wise

CPO at the Department of Families, Fairness and Housing

Priority 5:
Build
procurement
capability

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CAPABILITY BUILDING AND COLLABORATIVE FORUMS

In 2022–23, the VGPB continued to support sharing information and building capability through the following forums:

Buyers' Community of Practice forum

This forum, presented jointly with DTF's Construction Policy team, encourages a culture of procurement knowledge-sharing and best practice across government. It brings together more than 600 procurement practitioners from across regional and metropolitan locations. The three forums held in 2022–23 included information on new policies including the [Building Equality Policy](#), the [Emergency Procurement Policy](#), the [Fair Jobs Code](#), and explored current issues, including a presentation on corruption risk by the Independent Broad-based Anti-corruption Commission.

Whole of Victorian Government Procurement Officers' meeting

These meetings are for procurement practitioners from across departments and agencies. The focus is on peer-to-peer learning and sharing practical experience.

Five meetings were held in 2022–23, covering topics such as procurement analytics, cyber security and supplier contract management (Figure 2).

Online buyer's group

The VGPB's online Buyers' Community of Practice group on the Victorian Public Sector Innovation Network has 760 members, reaching even more procurement professionals across government with procurement updates, resources and materials.

Highlights in 2022–23

3

Procurement Community of Practice Forums

5

Procurement Officer's meetings

760

Government members in the online buyer's group on the Innovation Network

Figure 2: Presentations at Procurement Officer's meetings

August 2022

- Emergency procurement (DTF)
- Transition to contract and supplier management (Transport Accident Commission)
- Supplier contract management (Development Victoria)

September 2022

- Fair Jobs Code – practical application (DJPR)
- Transitioning to a circular economy – procurement's role (DTF)
- Social procurement – feedback session (DJPR)

November 2022

- Things that go wrong in procurement and tips to avoid issues (Victorian Government Solicitor's Office)
- Procurement analytics: Accounts payable data analytics and SPC supplier data (DTF)

March 2023

- Contract management (DGS)
- Contract disclosure (DGS)
- Fit-for-purpose procurement (DGS)

May 2023

- Countering foreign interference (DPC)
- Cyber security consideration for procurement (DGS)



CASE STUDY

Benchmarking against global procurement standards at the Department of Jobs, Skills, Industry and Regions

The VGPB wishes to recognise the Department of Jobs, Skills, Industry and Regions (DJSIR) for achieving the international Procurement Excellence Programme Award issued by the Chartered Institute of Procurement and Supply (CIPS). This independent certification is given to organisations who have demonstrated quality and robustness of their procurement policies, processes and procedures.

CIPS is the world’s largest professional body for procurement and supply. Their Procurement Excellence Programme is a comprehensive and independent global assessment process that helps organisations benchmark performance against international standards. In the assessment, a meticulous review of an organisation’s procurement policies, processes and procedures is conducted over a period of six to nine months. It focuses on five key areas: leadership and organisation, strategy and policy, people, processes and systems, and performance management.

Following the machinery of government change in 2019 which formed the Department of Jobs, Precincts and Regions (DJPR) and subsequent machinery of government change in 2022 which formed the current DJSIR, the department has been continually improving its procurement function, starting with its own review followed by the VGPB accreditation process in 2021.

Image: From left to right: Diego Tandoc, Olga Carlton, Chris O’Farrell and Megan Dare – the team from the Department of Jobs, Skills, Industry and Regions who contributed to the CIPS accreditation.

“The VGPB accreditation process was useful for us in verifying that we had all the right components in place and highlighting areas for improvement,” explained Chris O’Farrell, Acting CPO at DJSIR.

“Since receiving VGPB accreditation, we have continued to make improvements. We wanted to take stock and understand where we were performing well and where we could improve by benchmarking our procurement function against global standards.”

The CIPS accreditation is a rigorous process that covers all facets of procurement, including leadership, how procurement is viewed across the organisation, and capability development.

Olga Carlton, Manager, Contracts Governance and Strategic Projects, led the DJSIR accreditation effort and notes that it’s not just about ticking off policies and procedures. “Even in areas where you are doing well, the CIPS process gives you ideas for continuous improvement. For example, the CIPS review has a big focus on people and development. This led to discussions around how DJSIR views and measures procurement capability, which led to us setting new capability-building goals.”

“Going through the CIPS accreditation process also prompted us to focus more on the ways in which procurement supports the department’s broader strategic objectives. In fact, we tightened the links between the department’s strategy and our own,” explained Olga.

The team also collaborated with different parts of the business to deliver the evidence needed to become CIPS accredited, including the corporate services areas responsible for coordinating integrity, conflict of interest and risk management.

“Being CIPS accredited demonstrates to our stakeholders and suppliers that we have a mature procurement function and that we invest in procurement,” said Olga. “This can help us attract skilled staff and gives suppliers confidence that we are committed to fairness and equity, open communication and managing risks with integrity.”

With the CIPS accreditation in hand, DJSIR emerges as the only Victorian Government department to currently hold this recognition. This achievement reinforces the department’s commitment to deliver services to the community through procurement excellence.

Priority 5:
Build
procurement
capability

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COMPLIANCE

Under the FMA, the VGPB is responsible for monitoring compliance by departments and specified entities with its supply policies.

The VGPB uses several mechanisms to monitor procurement performance and compliance with its supply policies. The VGPB reviews annual compliance reporting for all VGPB agencies and investigates any complaints escalated by suppliers in relation to the procurement process. For departments and accredited agencies, the VGPB also has an accreditation process and audit program, and performance measures which are reported in VGPB annual reports.

COMPLIANCE REPORTING IN 2022–23 AND BEYOND

Following the expansion of the VGPB's remit to all agencies subject to the **2018 Directions**, agencies were given a one-year transition period, to 30 June 2022, to align their procurement policies and practices with the VGPB framework. From 30 June 2022, VGPB requirements were embedded into the existing annual **2018 Directions** compliance reporting process which VGPB entities already complete as part of their existing governance and compliance process.

This approach enables the VGPB to efficiently monitor compliance across all VGPB entities, providing visibility of compliance gaps and actions being taken to address those gaps. It has elevated compliance with VGPB policy requirements to become a core part of the Victorian Government's ongoing financial management compliance reporting process.

Starting this year, the VGPB annual report will include a summary of outcomes from compliance reporting one year in arrears. This year's report includes compliance information from:

- the 13 departments and accredited agencies
- 113 of the 119 expansion agencies (TAFEs report by calendar year – their data will be included in the 2023–24 annual report)
- 32 portfolio agencies (existing non-accredited VGPB agencies).

To see a full list of expansion agencies and portfolio agencies, visit www.buyingfor.vic.gov.au/goods-and-services-mandated-agencies.

Departments and accredited agencies

Any reference to 'departments and accredited agencies' in this section refers only to the 13 departments and agencies listed here:

- Department of Education (DE)
- Department of Energy, Environment and Climate Action (DEECA)
- Department of Families, Fairness and Housing (DFFH)
- Department of Government Services (DGS)
- Department of Health (DH)
- Department of Jobs, Skills, Industry and Regions (DJSIR)
- Department of Justice and Community Safety (DJCS)
- Department of Premier and Cabinet (DPC)
- Department of Transport and Planning (DTP)
- Department of Treasury and Finance (DTF)
- Cenitex
- Major Transport Infrastructure Authority (MTIA)*
- Victoria Police

*MTIA has been reporting to the VGPB as a separate agency from 2020–21 in anticipation of submitting an accreditation application in early 2023–24.

NON-COMPLIANCE REPORTED IN 2021–22

The 2018 Directions compliance checklist includes 18 mandatory policy requirements from the VGPB’s goods and services supply policies. For a full list of policy requirements, visit www.buyingfor.vic.gov.au/aligning-goods-and-services-supply-policies-guide.

Two types of non-compliance can be reported should a department or agency not meet a VGPB policy requirement in the 2018 Directions:

- **A compliance deficiency** is an attribute, condition, action or omission that is not fully compliant with the VGPB requirements.
- **A material compliance** deficiency is a compliance deficiency that a reasonable person would consider as having a material impact on the agency or the State’s reputation, financial position or financial management.

Non-compliance reported by VGPB departments and accredited agencies

In 2021–22, 12 of the 13 departments and accredited agencies reported full compliance with VGPB supply policies, equivalent to 98.7% compliance. One agency reported three compliance deficiencies as detailed in Table 2. As at 30 June 2023, the agency had fully addressed one reported non-compliance with activities in progress to address the remaining two.

No departments or accredited agencies reported material compliance deficiencies, as shown in Table 3.

Table 2: Compliance deficiencies reported by VGPB departments and accredited agencies in 2021–22

Measure	Number reported	Proportion (%)
Total number of compliance deficiencies reported by VGPB departments and accredited agencies (and percentage of total*)	3	1.3
Number of VGPB departments and accredited agencies reporting three or more compliance deficiencies and percentage of total agencies (13)	1	7.7

*13 agencies × 18 requirements.

Table 3: Material compliance deficiencies reported by VGPB departments and accredited agencies in 2021–22

Measure	Target number	Actual number	Target (%)	Actual (%)
Total number of material compliance deficiencies reported by VGPB departments and accredited agencies (and percentage of total*)	0	0	0	0
Number of VGPB departments and accredited agencies reporting more than one material compliance deficiency and percentage of total agencies (13)	0	0	0	0

*13 agencies × 18 requirements.

Non-compliance reported by VGPB expansion agencies

Overall, the compliance reporting results mark a significant achievement for all VGPB expansion agencies and have established a very encouraging benchmark for future reporting.

In 2021–22, expansion agencies reported 96.2% compliance (Table 4). A total of 77 compliance deficiencies were reported by 32 agencies, out of 2 034 compliance requirements across the 113 expansion agencies. No material compliance deficiencies were reported (Table 5). This is a significant outcome given the large number of expansion agencies and the considerable effort required to meet compliance.

The VGPB will continue to engage with agencies to better understand how it can provide targeted support to assist with compliance, including through existing capability-building activities.

Most compliance deficiencies reported by expansion agencies were in the following areas:

- contract management, monitoring and disclosure processes
- supplier engagement activities
- publication of agency annual procurement activity plans
- procurement capability, particularly in relation to contract management activities.

The VGPB notes that some compliance deficiencies are expected each year, even for departments that have been following the VGPB policy framework since its introduction in 2013.

Table 4: Compliance deficiencies reported by VGPB expansion agencies in 2021–22

Measure	Number reported	Proportion (%)
Total number of compliance deficiencies in expansion agencies (and percentage of total*)	77	3.8
Number of expansion agencies reporting three or more compliance deficiencies and percentage of total agencies (113)	7	6.2

*113 agencies × 18 requirements. Excludes TAFEs, which report by calendar year. Reporting from TAFEs will be included in the following year's annual report.

Table 5: Material compliance deficiencies reported by VGPB expansion agencies in 2021–22

Measure	Target number	Actual number	Target (%)	Actual (%)
Total number of material compliance deficiencies in expansion agencies (and percentage of total*)	0	0	0	0
Number of expansion agencies reporting more than one material compliance deficiency and percentage of total agencies (113)	0	0	0	0

*113 agencies × 18 requirements. Excludes TAFEs, which report by calendar year. Reporting from TAFEs will be included in the following year's annual report.

Non-compliance reported by portfolio agencies (existing non-accredited agencies)

In 2021–22, portfolio agencies reported 99.8% compliance. One compliance deficiency was reported by one agency from a total of 576 compliance requirements across the 32 portfolio agencies (Table 6). One material compliance deficiency was reported by one portfolio agency (Table 7).

Table 6: Compliance deficiencies reported by portfolio agencies in 2021–22

Measure	Number reported	Proportion (%)
Total number of compliance deficiencies in portfolio agencies (and percentage of total*)	1	0.2
Number of portfolio agencies reporting three or more compliance deficiencies against VGPB policy and percentage of total (32 portfolio agencies provided compliance reporting)	0	0

*32 portfolio agencies that provided compliance reporting × 18 requirements.

Note: While Victoria Police is a portfolio agency under DJCS it is accredited and reports directly to the VGPB. Victoria Police's data is reported under departments and accredited agencies in Tables 2 and 3.

Table 7: Material compliance deficiencies reported by portfolio agencies 2021–22

Measure	Target number	Actual number	Target (%)	Actual (%)
Total number of material compliance deficiencies in portfolio agencies (and percentage of total*)	0	1	0	0.2
Number of portfolio agencies reporting more than one material compliance deficiency and percentage of total (32 portfolio agencies provided compliance reporting)	0	0	0	0

*32 portfolio agencies that provided compliance reporting × 18 requirements.

THE VGPB ACCREDITATION AND AUDIT PROGRAM

VGPB accreditation assesses how well a department or agency's procurement strategy and policies align with VGPB policies. Obtaining accreditation is a comprehensive process that requires agencies to thoroughly review, revise and submit documentation that demonstrates their alignment to VGPB policy requirements. Documentation must be supported by the agency's internal auditor and audit and risk committee. An accreditation application may be requested by the VGPB or voluntarily submitted by a VGPB agency. Once an agency is accredited by the VGPB, accreditation is maintained by participating in the VGPB audit program. A program of regular audits provides an additional level of VGPB oversight to accredited organisations.

In February 2023, the VGPB implemented a new approach to accreditation to ensure it remains fit-for-purpose and effectively targets risks. Departments and agencies will only need to undertake VGPB accreditation when they have experienced a major change to their procurement function. This new approach will significantly reduce the administrative burden of accreditation, enabling VGPB resources to continue to monitor compliance with policy and process through the existing VGPB audit program.

Accreditation applications

Three applications for accreditation were submitted to the VGPB in 2022–23. DH and DFFH, established in 2020 following a machinery of government change, had their VGPB accreditation applications approved in February 2023. The third application, voluntarily submitted by V/Line, was approved pending V/Line addressing some VGPB feedback. This is expected in early 2023–24.

The VGPB anticipates a VGPB accreditation application from MTIA early in 2023–24.

Following machinery of government changes in January 2023, a new Department of Government Services (DGS) was created. The VGPB has invited DGS to seek accreditation. DGS is expected to prepare an application for VGPB accreditation in 2024.

'The creation of the Department of Health and the VGPB accreditation process was a valuable impetus to review and refresh the department's procurement framework and provide the new department with a clear and ongoing strategic direction for procurement and probity.'

Elisha Curcio

CPO at the Department of Health

'As a new department, achieving VGPB accreditation was an important milestone. It presented an opportunity to enhance the department's procurement governance framework and validate procurement as a core business function with a strategic focus aligned with the department's vision and value.'

Danielle Wise

CPO at the Department of Families, Fairness and Housing.

AUDITS

The VGPB requires departments and accredited agencies to include procurement audits in their internal audit schedule. The scope of these audits must be agreed with the VGPB, based on organisation-specific risks. Departments and accredited agencies must report back to the VGPB with their findings and progress in addressing audit recommendations.

Audits take place twice every three years with the current three-year cycle beginning in the 2021–22 financial year.

The VGPB audit program has four primary objectives:

- confirm compliance with the VGPB policy framework
- minimise procurement risks by ensuring procurements are well managed
- identify and implement process improvements
- provide a feedback loop to the VGPB to monitor emerging risks.

In June 2023, the VGPB agreed to update the VGPB audit guidance to include data analytics in audits to better utilise available technology and reflect modern audit practices. This enhancement to the audit process will enable testing across the whole population of procurements in line with industry best practice.

Audits in 2022–23

Eleven audits were completed across 10 departments and accredited agencies as part of the 2022–23 VGPB audit program, as listed in Table 8. These audits were the first to be completed under the new audit approach which enables organisations to focus on their most significant procurement risks and improvement opportunities.

Table 8: VGPB audit program schedule from 2021–22 to 2023–24

	Most recent VGPB audit completed	2021–22	2022–23	2023–24
Department of Education	June 2023		X X*	
Department of Energy, Environment and Climate Action	May 2023		X	X
Department of Families, Fairness and Housing	May 2023		X	X
Department of Health	January 2023 (part of accreditation)		X	X
Department of Justice and Community Safety	October 2022		X	X X**
Department of Jobs, Skills, Industry and Regions	August 2022	X		X
Department of Transport and Planning	May 2023		X	X
Department of Premier and Cabinet	May 2023		X	X
Department of Treasury and Finance	October 2022		X	X
Victoria Police	March 2023		X	X
Cenitex	July 2023		X	X

* DE completed two 2022–23 audits fulfilling the audit requirements for the 2021–24 audit cycle.

** DJCS did not complete an audit in the previous three-year cycle and is therefore required to complete three audits during the current three-year cycle.

DGS, V/Line and MTIA will begin the audit program once their accreditation is complete.

The scope of most audits in 2022–23 was focused on the risk areas specific to each organisation. The VGPB notes that contract management and disclosure was included in the scope of seven out of 11 audits, highlighting the opportunity for realising improvements across the entire procurement lifecycle.

Four of the 11 audits completed this year had a broad scope in line with the previous audit approach, each reviewing at least three of the five VGPB supply policies.

The overall risk rating assigned to all the 2022–23 audits was 'opportunities for improvement' (or equivalent) and noted the need for continuous improvement to ensure full compliance and positive outcomes. Common findings across departments and accredited agencies included:

- management and appropriate disclosure of conflicts of interest
- recording and monitoring key contract information
- retention of procurement process documentation
- management of financial delegations, particularly when acting management arrangements are in place.

Management actions to address findings are tailored to each department/accredited agency to effectively address risk areas. Common management actions in 2022–23 included updating procedures and policies to ensure clarity in the requirements of the procurement process, increased reporting on performance and compliance, and increased automation and system controls to ensure compliance.

There was an increase in the use of data analytics to complement existing sample testing in 2022–23 with results showing it had a positive impact in detecting non-compliance and opportunities for improvement. The updated VGPB audit guidance requires data analytics to be a part of the audit process from 2023–24 onwards.

Two audits were completed to support the applications for VGPB accreditation by DFFH and DH. These audits reviewed each department's policies and procedures and noted full compliance with all VGPB policy requirements.

COMPLAINTS

The VGPB policy framework requires departments and agencies to have a complaints management system in place that sets out the process and procedures for investigating and resolving complaints. Departments and agencies investigate and resolve complaints in line with their complaints process. If the complainant is dissatisfied with the outcome, they may refer their complaint to the VGPB for review.

One complaint related to a procurement carried out by the Department of Education was referred to the VGPB in 2022–23. The VGPB investigation found no evidence of non-compliance with VGPB policies.

Resolution of complaints from 2021–22

At the end of the previous financial year (30 June 2022), one complaint was under review by the VGPB. This complaint related to a procurement carried out by Victoria Police. The VGPB review was completed in August 2022 and found no evidence of non-compliance with VGPB policies.

PERFORMANCE

Departments and accredited agencies track their procurement performance each year against five performance measures and report their results to the VGPB. The five performance measures are:

1. Value created from department procurement activity
2. Managed spend
3. Procurement capability
4. Supplier satisfaction
5. Planned procurement activity as a percentage of actual procurement activity

Note that departments and accredited agencies have procurement models and profiles that vary in complexity and size. These differences should be taken into consideration when making comparisons between results.

DGS was newly established on 1 January 2023 bringing together the service delivery functions held by DPC, DTF and other government departments. DGS will begin performance reporting in 2023–24.

Performance measure 1: Value created from department procurement activity

This measure seeks to quantify savings generated by procurement as a percentage of contracted spend. It is the value of direct expenditure savings (and potential expenditure avoided) of the organisation's procurements conducted during the financial year, as a percentage of the total value of the organisation's contracted spend during the financial year.

Results are influenced by several factors including the organisation's procurement profile and operating model (centralised/ decentralised), reporting mechanisms in place and the types of procurements undertaken (for example, high-value projects where savings can be significant). These, together with non-financial benefits such as process improvements resulting in cost reductions and avoidance of supplier price increases, influence the outcomes of this measure and the opportunities that exist to negotiate

savings. Results will also be impacted as the organisation's function matures or where procurement capability grows.

Organisations reporting an increase in value created through procurement attribute the improvement to a targeted focus on key areas of the procurement process and better tracking of benefits. These organisations also noted that the implementation of procurement systems, more aggregated sourcing activities and an increase in capability being applied to more procurements helped drive improvements. See Table 9.

Organisations reporting a decrease in this measure from the previous year attribute this to machinery of government changes, a reduction in central reporting of savings for lower value, lower risk procurements and manual data capture processes.

Table 9: Value created from department procurement activity

Department / accredited agency	2020–21	2021–22	2022–23
	%		
Department of Education	14.1	13.3	17.8
Department of Energy, Environment and Climate Action	8.8	3.2	n/a
Department of Families, Fairness and Housing	2.8	2.6	2.2
Department of Health	2.8	0.5	0.4
Department of Jobs, Skills, Industry and Regions	1.8	7.2	n/a
Department of Justice and Community Safety	4.7	9.7	0.8
Department of Premier and Cabinet	5.3	4.6	2.7
Department of Transport and Planning	4.5	1.0	n/a
Department of Treasury and Finance	14.2	13.0	n/a
Cenitex	2.7	3.8	3.5
Major Transport Infrastructure Authority	–	6.3	7.4
Victoria Police	4.9	5.3	2.5

Note: DEECA, DJSIR, DTP and DTF underwent machinery of government changes in 2022–23 that impacted their ability to measure and report meaningful results on certain performance measures. Results were not reported for performance measures 1, 2 and 5 for these departments and are denoted by 'n/a' in the tables.

Performance measure 2: Managed spend

Managed spend is a measure of the level of centralisation or central oversight of procurement. It is the proportion of goods and services procurement spend reviewed or undertaken by an organisation's central procurement governance unit.

Organisations that increased their managed spend (Table 10) attributed this to greater consolidation of sourcing activities, more direct involvement of procurement experts in a wider array of procurement activities, and more engagements being managed through internal procurement systems.

Cenitex has a centralised model where all spend is overseen by the procurement function.

Organisations reporting a reduction in managed spend attribute this to changes in reporting methodology and machinery of government changes leading to the realignment of functions.

Table 10: Managed spend

Department / accredited agency	2020–21	2021–22	2022–23
	%		
Department of Education	45.6	60.1	71.3
Department of Energy, Environment and Climate Action	67.8	81.9	n/a
Department of Families, Fairness and Housing	66.3	39.2	26.8
Department of Health	66.3	88.1	77.5
Department of Jobs, Skills, Industry and Regions	54.4	86.2	n/a
Department of Justice and Community Safety	76.0	53.5	25.7
Department of Premier and Cabinet	29.8	34.9	65.6
Department of Transport and Planning	78.8	97.9	n/a
Department of Treasury and Finance	98.0	98.4	n/a
Cenitex	100	100	100
Major Transport Infrastructure Authority	71.4	40.4	62.1
Victoria Police	82.5	83.6	87.3

Note: DEECA, DJSIR, DTP and DTF underwent machinery of government changes in 2022–23 that impacted their ability to measure and report meaningful results on certain performance measures. Results were not reported for performance measures 1, 2 and 5 for these departments and are denoted by 'n/a' in the tables.

Performance measure 3: Procurement capability

Organisations assess their capability at the end of each financial year using the VGPB [capability assessment tool](#).

Results in 2022–23 are consistent with previous years (Table 11). Organisations are continuing to prioritise increasing procurement capability by focusing on better risk management, process improvements such as updating templates and procedures, and increasing the focus on procurement capability and training.

Table 11: Procurement capability

Department / accredited agency	2020–21	2021–22	2022–23
	%		
Department of Education	90.7%	90.7%	89.3%
Department of Energy, Environment and Climate Action	70.0%	71.7%	71.7%
Department of Families, Fairness and Housing	98.7%	92.7%	94.0%
Department of Health	98.7%	95.3%	92.7%
Department of Jobs, Skills, Industry and Regions	96.0%	98.0%	98.7%
Department of Justice and Community Safety	84.0%	88.3%	82.7%
Department of Premier and Cabinet	68.0%	66.0%	68.0%
Department of Transport and Planning	93.3%	73.3%	75.3%
Department of Treasury and Finance	81.3%	84.7%	85.3%
Cenitex	84.7%	84.7%	86.7%
Major Transport Infrastructure Authority	78.7%	84.7%	80.7%
Victoria Police	65.3%	59.3%	60.0%

Note: Prior to 2022–23, results were reported as a percentage change (increase/decrease) from the previous year’s score. Starting from 2022–23, the actual procurement capability score will be reported as a percentage. Scores for 2020–21 and 2021–22 have been updated to the same format for consistency.

Performance measure 4: Supplier satisfaction

The supplier satisfaction assessment is based on a survey sent to suppliers following a procurement process. The survey is conducted with successful and unsuccessful suppliers to measure their satisfaction with the procurement process and service provided by the organisation’s procurement function and seeks feedback to inform improvements.

In 2022–23, five organisations reported an improvement in unsuccessful supplier satisfaction, compared to the previous year (Table 12).

The main drivers behind the improvements were increased clarity in go-to-market documents and improved communication with suppliers, particularly where procurement processes exceeded planned and communicated timelines.

Supplier feedback received this year provided valuable insights to each participating organisation to support continuous improvement. Common areas noted for improvement included clearer specifications, supplier debriefing and timeliness.

Table 12: Supplier satisfaction survey

Department / accredited agency		2020-21	2021-22	2022-23
		%		
Department of Education	Successful suppliers satisfied	89	100	100
	Unsuccessful suppliers satisfied	38	62	11
Department of Energy, Environment and Climate Action	Successful suppliers satisfied	85	67	80
	Unsuccessful suppliers satisfied	57	32	48
Department of Families, Fairness and Housing	Successful suppliers satisfied	90	94	100
	Unsuccessful suppliers satisfied	33	34	0
Department of Health	Successful suppliers satisfied	90	94	67
	Unsuccessful suppliers satisfied	33	36	0
Department of Jobs, Skills, Industry and Regions	Successful suppliers satisfied	89	100	88
	Unsuccessful suppliers satisfied	42	20	38
Department of Justice and Community Safety	Successful suppliers satisfied	90	91	100
	Unsuccessful suppliers satisfied	50	57	0
Department of Premier and Cabinet	Successful suppliers satisfied	73	100	100
	Unsuccessful suppliers satisfied	64	67	33
Department of Transport and Planning	Successful suppliers satisfied	82	86	89
	Unsuccessful suppliers satisfied	22	14	52
Department of Treasury and Finance	Successful suppliers satisfied	100	89	86
	Unsuccessful suppliers satisfied	100	83	33
Cenitex	Successful suppliers satisfied	100	100	100
	Unsuccessful suppliers satisfied	33	25	63
Major Transport Infrastructure Authority	Successful suppliers satisfied	80	64	88
	Unsuccessful suppliers satisfied	21	26	40
Victoria Police	Successful suppliers satisfied	80	100	100
	Unsuccessful suppliers satisfied	0	20	17

Note: Each department / accredited agency determines the methodology to select the sample for the survey and the sample size may vary from year-to-year. A zero or nil response may reflect that all unsuccessful suppliers that responded were not satisfied with their overall procurement experience, or no responses were received.

Performance measure 5: Planned procurement activity as a percentage of actual procurement activity

The VGPB policies emphasise forward planning and transparency and include a requirement for organisations to create and publish a forward procurement plan on their websites. This measure assesses the level of forward planning by measuring the number of planned procurements documented in an internal forward activity plan against the number of market approaches undertaken during the financial year (Table 13).

Organisations reporting an improvement in planned procurement activity compared to the previous year cited increased engagement with key business units to update the procurement activity plan regularly and promoting early identification of procurements requirements to help with better forward planning.

Table 13: Planned procurement activity as a percentage of actual procurement activity

Department / accredited agency	2020–21	2021–22	2022–23
	%		
Department of Education	8.5	9.8	14.7
Department of Energy, Environment and Climate Action	55.6	35.6	n/a
Department of Families, Fairness and Housing	24.5	26.8	35.6
Department of Health	24.5	19.4	44.7
Department of Jobs, Skills, Industry and Regions	54.0	32.1	n/a
Department of Justice and Community Safety	17.6	24.2	6.7
Department of Premier and Cabinet	9.1	12.6	63.2
Department of Transport and Planning	11.6	24.7	n/a
Department of Treasury and Finance	44.8	50.0	n/a
Cenitex	57.7	37.6	14
Major Transport Infrastructure Authority	78.2	79.6	70
Victoria Police	73.2	70.1	71.4

Note: DEECA, DJSIR, DTP and DTF underwent machinery of government changes in 2022–23 that impacted their ability to measure and report meaningful results on certain performance measures. Results were not reported for performance measures 1, 2 and 5 for these departments and are denoted by 'n/a' in the tables.



STATE PURCHASE CONTRACTS

By combining demand for commonly used goods and services, government can harness greater economies of scale when negotiating with suppliers. Aggregating purchasing power allows organisations to negotiate lower prices and better terms and conditions. It also reduces risk and the administrative burden on buyers and suppliers. The Victorian Government has numerous **SPCs and registers for commonly purchased goods and services**.

More than 200 organisations benefit from the time and cost savings offered by SPCs, with total annual spend under SPCs estimated to be about \$2.4 billion in 2022–23.

The transition to SPCs under the expansion program began with the largest agencies transitioning to use the mandatory SPCs from the end of 2021. This will continue until all expansion agencies with a yearly spend on non-construction goods and services of \$2.5 million or more, are purchasing through SPCs. The last group to transition will be the small agencies who will transition by 31 December 2023, or upon the expiry of existing contracts.

This will result in greater use of SPCs across a wider range of government agencies, with all the benefits that come from greater aggregation, including greater consistency, streamlining, risk reduction and economies of scale (see Priorities 2 and 3: Deliver the expansion program and continue to support good procurement).

SPCs have already proven beneficial to many expansion agencies that have been using them for many years with great results and will continue to do so.

WHO CAN ACCESS STATE PURCHASE CONTRACTS?

All **Victorian Government departments and specified entities including VGPB expansion agencies** must use mandatory SPCs. Certain non-government bodies may apply to the lead agency to access an SPC.

Visit **About goods and services contracts** on the **Buying for Victoria** website for more on who can access SPCs.

THE ROLE OF THE VGPB

The VGPB reviews and endorses business cases for the establishment of new SPCs before approval by the relevant Minister. The VGPB is also consulted on SPC replacements and extensions (other than exercising contractual options).

Six business cases for new SPCs were reviewed and endorsed by the VGPB in 2022–23. This included SAP which was established in 2022–23, and five business cases for SPCs to be established in 2023–24 and 2024–25.

STATE PURCHASE CONTRACTS APPROVED IN 2022–23

In 2022–23, four SPCs were approved as listed in Table 14 and Table 15. This compares to seven SPCs approved in 2021–22.

The total estimated value of these SPCs is likely to increase as expansion agencies continue to join the SPCs over the next 12 months.

Note: The contract values in the following tables are estimates. Expenditure occurs as organisations order and consume goods and services over the contract term of the SPC. Total estimated value includes the initial contract term and any options to extend the contract (although these may or may not be exercised).

Table 14: Non-ICT SPCs established in 2022–23

Project title	Total estimated value (\$m)	Contract term (yrs)	Options (yrs)	Complexity level	Market approach method	Type of arrangement	No. of suppliers
Mail and Delivery Services	31.5	3	1+1	Strategic	Open RFT	Panel	4

Table 15: ICT SPCs established in 2022–23

Project title	Total estimated value (\$m)	Contract term (years)	Option(s) to extend (years)	Complexity level	Market approach	Type of arrangement	No. of suppliers
Microsoft Enterprise Agreement	600.0	3	0	Strategic	Closed	Sole Supplier	1
Data Centre (DXC)	42.0	5	0	Strategic	Closed	Sole Supplier	1
SAP	10.0	3	1+1	Strategic	Closed	Sole Supplier	1

Mail and delivery services

Following the expiry of the previous Document Exchange Mail SPC on 1 November 2022, a new SPC was established for mail and delivery services under a panel arrangement. The new SPC has evolved to match industry capability and enables users to choose from four suppliers, providing more flexibility to meet the differing needs of departments and agencies.

The new SPC provides maximum coverage in terms of operational geographic requirements across the State with greater spend under contract and an increased ability to drive and influence innovation and cost reduction through ongoing reviews of spend data and supplier management. It also offers the ability to directly engage services from a Victorian work-integrated social enterprise which supports employment of migrants and refugees that face barriers to employment due to socioeconomic disadvantages.

Microsoft Enterprise Agreement

Following extensive stakeholder engagement across the Victorian Government to understand the current Office 365 landscape, the new Microsoft Enterprise Agreement represents a significant reset of the pricing structure and services available, with better alignment to the State's cyber security needs. The Victorian Government will enjoy the benefits of a higher security posture under the best possible commercial framework with this agreement which also incorporates material value in support of Victoria's emergency response volunteers.

Data Centre (DXC)

The Victorian Government's largest data centre contract was renewed ensuring business continuity for the next five years.

SAP

The SAP SPC was established in May 2023. It provides a wide range of cloud products and services ranging from human resources and people service platforms to data analytics and business process modelling. It represents a platform that is broadly used and forms part of the Victorian Government's architectural direction for these types of services. The contract, which has been independently benchmarked, is a best-in-class commercial arrangement that will support Victorian Government entities of all sizes by providing the benefits of SAP's vast service catalogue with wide ranging benefits including commitments to local jobs and social procurement outcomes.



CASE STUDY

New Mail and Delivery Services SPC boosts social procurement

The Victorian Government seeks to leverage its buying power to create social value beyond the value of the goods or service being purchased. In line with the **Social Procurement Framework**, government buyers consider opportunities to deliver social and sustainable outcomes as part of every procurement activity.

During the recent renewal of the Mail and Delivery Services SPC, the courier service component was revised to expand the opportunity to smaller, local suppliers that could service specific regions.

This enabled Local Transit, a Victorian social enterprise, to successfully join the panel of suppliers, alongside Australia Post, FedEx and Toll. As a smaller operator, Local Transit provides courier services to Melbourne's central business district and metropolitan suburbs and has a mission to create job opportunities for refugee and migrant workers facing socioeconomic barriers to employment.

By enabling social enterprises to participate, the Mail and Delivery Services SPC is providing broader value to the Victorian community by creating employment opportunities for disadvantaged jobseekers.

“

The new Mail and Delivery Services SPC provides maximum coverage in terms of operational geographic requirements across the State. It also offers the ability to directly engage services from a Victorian work-integrated social enterprise which supports employment of migrants and refugees that face barriers to employment due to socioeconomic disadvantages.

VARIATIONS TO STATE PURCHASE CONTRACTS IN 2022–23

Seven SPC variations were reported in 2022–23, as listed in Table 16 and Table 17. Reasons for variations range from aligning expiry dates to related policies to incorporating social procurement requirements into the agreement.

Table 16: Variations to non-ICT SPCs in 2022–23

SPC	Total estimated value (\$m)	Reason for variation
Security Services	80.0	Contract extended by 18 months to include a number of improvement outcomes to deliver on government initiatives.
Electricity – Large Sites (above 40 MWh)	112.0	Contract varied to align SPC expiry date with Climate Change policies.
Electricity – Small Sites (below 40 MWh)	14.0	Contract varied to align SPC expiry date with Climate Change policies.
Travel Management Services	46.0	The contract was extended by 1 year and 9 months due to changing demands and variability of spend following the COVID-19 pandemic to enable a review of the future travel strategy and develop a business case for the future SPC.

Table 17: Variations to ICT SPCs in 2022–23

SPC	Total estimated value (\$m)	Reason for variation
Microsoft Enterprise Agreement	0	Contract varied to strengthen data security control and provide better alignment to the Victorian Protective Data Security Framework and privacy act.
Multifunction Devices & Printers	0	Contract varied to incorporate social procurement targets and measures.
Microsoft Azure Enterprise Agreement – 15% PAYG	120.0	Contract varied to provide a stronger discount structure and reduction in the cost of cloud hosting.



CASE STUDY

Small, regional and social benefit suppliers join Professional Advisory Services Panel

Following the expansion of the VGPB policies to a wider range of government agencies, the Department of Government Services (DGS) is seeking to broaden the diversity of suppliers to SPCs to meet the needs of incoming agencies.

In 2022, DGS conducted a request for tender (RFT) to add suppliers to the Professional Advisory Services (PAS) SPC. The PAS SPC is a panel of suppliers pre-approved to provide commercial, financial and tax advisory services to government departments and agencies. The panel arrangement enables agencies to run an efficient and competitive process to engage suppliers with pre-negotiated terms, conditions, and ceiling rates.

DGS streamlined the tender response process, and allowed suppliers to tender for subsets of services to make it more accessible to smaller suppliers. The RFT was shared through a wide range of channels to encourage more businesses to respond.

Following the tender, DGS added 109 micro and small businesses, two social benefit suppliers and 12 regional suppliers to the panel. These businesses now have access to government contracts, while departments and agencies benefit from a greater diversity of suppliers.



The new Professional Advisory Services SPC has a greater diversity of suppliers including small and micro businesses, social benefit suppliers and regional businesses.



ACRONYMS

CIPS	Chartered Institute of Procurement and Supply
CPO	Chief Procurement Officer
DE	Department of Education
DEECA	Department of Energy, Environment and Climate Action
DFFH	Department of Families, Fairness and Housing
DGS	Department of Government Services
DH	Department of Health
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DJSIR	Department of Jobs, Skills, Industry and Regions
DTP	Department of Transport and Planning
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
ICT	Information and communications technology
MTIA	Major Transport Infrastructure Authority
PAS	Professional advisory services
SEPC	Sole entity purchase contract
SPC	State purchase contract
TAFE	Technical and Further Education
VGPB	Victorian Government Purchasing Board
VPSC	Victorian Public Sector Commission

For a full glossary of terms, refer to buyingfor.vic.gov.au/glossary-goods-and-services

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The VGPB acknowledges all Aboriginal and Torres Strait Islander peoples, as the Traditional Owners and custodians of the land and waterways on which we work and live. We pay respect to Elders past, present and future, and to all Aboriginal and Torres Strait Islander people. The fabric of Australia is strengthened and enriched with Aboriginal people's varied customs and cultures.



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