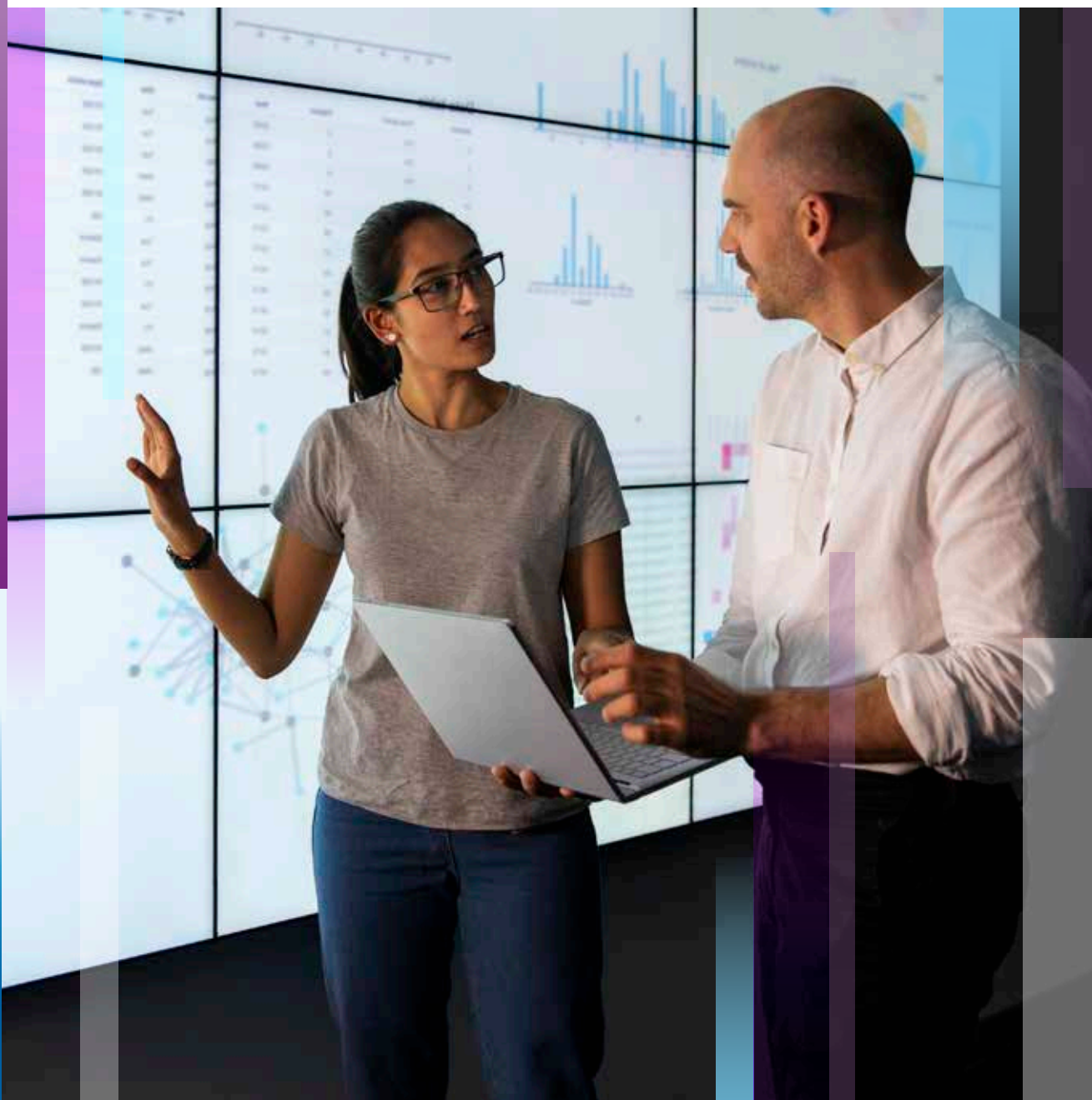




V G P B

Victorian Government
Purchasing Board



Achieving excellence in
government procurement

Annual Report 2021/22

About this report

The Victorian Government Purchasing Board (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*** (FMA).

Effective procurement saves time and money, reduces risk and supports a well-functioning government and a thriving Victorian community.

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

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 2021 to 30 June 2022.

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

Reporting on compliance

A key function of the VGPB under the FMA is to monitor compliance with supply policies. In line with this function, this report includes information on procurement compliance and performance of the departments and accredited agencies mandated to comply with VGPB policies under the FMA.

As of 1 July 2021, an additional 125 agencies have transitioned to the VGPB's policy framework. Annual reporting on these agencies will begin next year in the VGPB Annual Report 2022–23. Refer to *Changes to compliance reporting* in the Compliance section for more information.

Acknowledgement

The VGPB acknowledges all Aboriginal and Torres Strait Islander people, Traditional Owners and custodians of the land on which we work and live as Australia's first peoples, including their deep and spiritual connection to the land. The fabric of Australia is strengthened and enriched with Aboriginal people's varied customs and cultures.

Contents

About this report	2	Priority 3: Improving visibility and support for good procurement	20
Message from the Chair	4	Priority 4: Creating fit-for-purpose procurement	22
Delivering our strategic priorities	4	Barriers to fit-for-purpose procurement	22
Board renewal	5	New policies and guidance material	22
Stakeholder engagement	5	Capability building and collaborative forums	24
The VGPB at a glance	6	Compliance	26
About the VGPB	7	Changes to compliance reporting	26
Reporting structure	7	Non-compliance reported in 2020–21	27
Scope of VGPB policies	7	VGPB accreditation	28
Procurement as a core business function	8	Audits	28
Board meetings	9	Complaints	31
Assessing the VGPB's performance	9	Performance	31
Board members	10	State purchase contracts	38
Priority 1: Enhancing procurement systems and data	12	Who can access SPCs?	38
Improve procurement data and analysis	12	The role of the VGPB	38
Deliver a single supplier portal	14	State purchase contracts approved in 2021–22	38
Priority 2: Delivering the expansion program	15	Variations to SPCs in 2021–22	40
Supporting agencies to transition to the VGPB framework	15	New SPC opportunities	43
Transition to SPCs	17	Abbreviations	46
Measuring success	17		

Message from the Chair



As we reflect on the 2021–22 year, it has been another challenging one in terms of managing public health and supply chains during the ongoing COVID-19 pandemic. Departments and agencies faced new

challenges with changing supply conditions, inflationary pressures and managing these against fair and reasonable community expectations for procurement to achieve broader social outcomes. Procurement teams across the public sector continued to play a significant role, responding rapidly to deliver programs supporting the Victorian Government's COVID-19 response and recovery efforts.

Against this background, it has been a busy year for the Victorian Government Purchasing Board (VGPB). The Board supported these teams with a new emergency procurement policy which replaces the previous critical incident procurement policy. The new policy brings together best practice and lessons learned over the past two years to better equip buyers to plan for procurements in response to an emergency.

Delivering our strategic priorities

I am pleased to report that we have made considerable progress in delivering our strategic priorities.

Following the expansion of the VGPB policy framework to a further 125 agencies from 1 July 2021, the VGPB has overseen a substantial program of engagement to support agencies to transition.

Expansion agencies range from large organisations with sophisticated procurement functions and policies largely aligned to VGPB policies, to very small organisations without dedicated procurement personnel. To support this large and diverse group of agencies, the Board oversaw an engagement program which mixed large-scale communications and information sessions with more targeted sector and size-based workshops and individual engagements and support.

A range of guidance material was prepared, including a model framework for smaller agencies to show how the supply policies can be scaled to organisations of different sizes. Throughout the year, the VGPB has been encouraged by the dedication of procurement professionals across the agencies working to deliver this transition.

The Board also worked on understanding barriers to fit-for-purpose procurement, which is particularly important given the changing context in which we are operating. To support this, the Board oversaw work to identify opportunities to simplify and streamline procurement for buyers and suppliers.

We started implementing some of this work by improving the **Buying for Victoria website** to make it easier for buyers and suppliers to find policy information relevant to their needs. There is much more to be done, and this will be a key focus in the coming year.

Consistent with this, we have streamlined this year's annual report, focusing on VGPB activities and case studies of good procurement across the public sector.

We are starting to see benefits from the new procurement spend data and analytics capability created by the Department of Treasury and Finance (DTF). Regular reports on category data are helping to improve state purchase contract management and highlight opportunities for new arrangements. We now have around six years of data collected, classified and categorised across all departments and accredited agencies, which translates to 10.5 million transactions collated within the system.

Board renewal

In August 2021, we welcomed Peter Gluskie to the VGPB. Peter brings extensive technology procurement experience, which is an essential part of Victorian Government procurement strategies. In July 2022, Charleene Mundine will be appointed to the Board. Charlene is a Wehbal woman from the Western Bundjalung nation. Charlene brings a wealth of experience in procurement, social procurement and working with Aboriginal businesses.

I am excited that the Board has been able to secure such talented individuals in both Peter and Charleene.

I would like to express my thanks to departing Board member Seona James. Seona has been an integral member of the Board over the past three years and played a key role for the VGPB during the development and implementation of the Social Procurement Framework. We wish Seona all the best for the future.

Stakeholder engagement

We have undertaken a significant program to engage with our stakeholders over the year to build the recognition of procurement as a strategic lever to achieve government objectives. We used this as an opportunity to listen to stakeholder feedback and identify ways to streamline and simplify the procurement framework to create better quality procurement outcomes.

These engagements – and particularly our close relationships with chief procurement officers (CPOs) – have enabled a more meaningful dialogue to build a shared understanding of achievements, challenges and opportunities.

On behalf of the Board, I would like to thank the team in DTF for their continued hard work and support. The team worked diligently during a challenging year to support the VGPB and deliver our strategic priorities.

Looking forward, we will continue to focus on supporting the expanded network of agencies, simplifying and streamlining procurement for buyers and suppliers, and supporting the Victorian Government to become a buyer of choice.



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

MISSION

Ensure government:

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

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

Four strategic priorities with multiple initiatives:

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

NETWORK

VGPB policies and oversight cover all Victorian Government departments and specified entities (agencies subject to the **Standing Directions**). The VGPB works closely with its stakeholders to ensure its policies are modern, relevant, and easy to apply.

About the VGPB

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

The VGPB's role is to:

- develop, implement and review supply policies and practices
- monitor compliance with supply policies
- help organisations build procurement capability
- work with stakeholders to make procurement more efficient.

Reporting structure

The VGPB reports directly to the Assistant Treasurer and is supported by the Procurement Policy and Reform team in the Department of Treasury and Finance (DTF).

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 that are subject to the **Standing Directions 2018 under the FMA** (with some exclusions including, for example, health agencies and universities).

The VGPB's goods and services policies now 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 organisations bound by VGPB policy, refer to buyingfor.vic.gov.au/goods-and-services-mandated-agencies

*Procurement is a core business function.
Effective procurement ensures government uses public money responsibly, procuring the required goods and services to deliver value-for-money outcomes.*

Procurement as a core business function

The VGPB sees procurement as a core business function. Its policy framework supports a strategic and efficient approach for the procurement of goods and services, covering the whole procurement lifecycle (see Figure 1).

FIGURE 1: THE PROCUREMENT LIFECYCLE

SOURCING PHASE



CONTRACT MANAGEMENT PHASE



VGPB SUPPLY POLICY FRAMEWORK

Governance

Complexity and capability assessment

Market analysis and review

Market approach

Contract management and contract disclosure

VGPB policies are based on assessing complexity and risk, and forward planning. The policies are underpinned by probity, accountability and scalability, and focus on value for money and more interactive engagement with the market. Each policy is supported by good practice guides, tools and templates to assist buyers and enable consistency across government.

Each agency adopts a procurement governance framework scaled to its procurement profile and must have the appropriate capability and oversight to carry out its procurements. When purchasing goods or services, buyers must comply with the relevant procurement policies of their organisation. These may include applicable broader government policies and Australian Standards where relevant, including but not limited to any supplier charters or codes of conduct.

Board meetings

The VGPB meets once every two months to:

- develop, approve and monitor compliance with policies
- provide oversight and guidance for state purchase contracts (SPCs)
- provide oversight of work to improve procurement technology and capability
- discuss other procurement policy and practice matters.

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

TABLE 1: BOARD MEETING ATTENDANCE IN 2021-22

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

Assessing the VGPB’s performance

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

Board members reflected that the VGPB has kept a strong focus on its four strategic priorities through the year and lifted its engagement with stakeholders. Other key themes included considering how to further leverage the new spend data and analysis capabilities to identify insights and opportunities and measure procurement outcomes, and the importance of ensuring that policies and guidance are fit for purpose.

Board Members

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

New member Peter Gluskie was appointed in August 2021. As at 30 June 2022, the VGPB had eight members.



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 along with 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.



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 a member of the Independent Review Panel providing probity oversight over the allocation of gambling licences in Victoria, and 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. Her current full-time role is in the Victorian Public Sector as a senior manager in property and procurement at William Angliss Institute.



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 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.



SEONA JAMES

Seona James is a Yorta Yorta woman who has focused her career to date primarily on Aboriginal engagement and relationship-building, both externally with Aboriginal organisations and internally with leadership teams and employees.

Seona is a businessperson who established her business (Indigenous Cultural Connections) in March 2018 and is currently self-employed. She was a member of the Victorian Aboriginal Economic Board from April 2017 to May 2019. Seona retired from the VGPB on 30 June 2022.

Priority 1: Enhancing procurement systems and data

Good procurement systems and 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 12 months, DTF has harnessed the developing analytical capability from the procurement spend data and analysis project to enable better data-driven procurement decision-making and supported projects to enhance procurement systems.

Under the oversight of the VGPB, DTF continues to lead 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, is now well established, collecting, consolidating and classifying spend data from all departments, Victoria Police, Major Transport Infrastructure Authority (MTIA) and Cenitex.

A significant milestone was achieved this year with six years of data collected, classified and categorised across all departments and accredited agencies – that’s about 10.5 million transactions from 1 January 2016 to 31 March 2022.

Being able to visualise procurement data helps departments and accredited agencies make more informed decisions to deliver their services and achieve their organisational objectives.

With automated data collection now in place as a business-as-usual process, the next steps are to continue refining the procurement classification model to keep the data quality high, while also better harnessing and interrogating the data to gain deeper and more useful insights. These insights can be translated and added to the dashboards and reports used by departments to inform category strategies, drive savings and identify procurement trends.

SPC planning

The SPC sourcing and category management teams are using category data dashboards and analytics to draw out insights to improve SPC management from category planning and strategy to sourcing. For the first time, SPC category managers can compare data received from suppliers against data provided by departments. This helps cross-validate the data which improves reporting and can identify where departments and agencies are incorrectly buying goods and services outside of SPCs (known as contract leakage).

Contract leakage is a recognised challenge for many organisations. Analysis of potential SPC leakage has been shared with departments to ensure these contracts are appropriately managed and used to deliver the best value for money. The VGPB is collaborating with departmental CPOs to address and reduce SPC leakage.

Several new SPC options are already being explored based on data analytics, creating opportunities to leverage the government’s buying power and reduce process burden for government buyers and suppliers.

Sharing knowledge

Experience, knowledge and information developed under the procurement spend data and analysis project have been shared with other Victorian Government technology-based project teams, in particular, how to classify spend data to inform systems development and future audits and reporting.

Victoria has also been providing advice on request to several other Australian state and territory governments and the New Zealand government, which are interested in following the progress and achievements in the data analytics space.



Case Study

DATA-DRIVEN CATEGORY MANAGEMENT

To maximise the many benefits of SPCs, buyers need to be aware of, and use what's available. Thanks to the procurement spend data and analysis project, DTF now has the data to identify and mitigate SPC 'leakage'.

Accounts payable data is collected and aggregated, and machine learning technologies classify data to United Nations Standard Products and Services Code (UNSPSC), enabling analysts to more readily identify where spend may be happening 'off-contract'. DTF is creating customised dashboards and reports for SPC category managers showing category information and insights, including potential contract leakage.

With visibility of potential SPC leakage, category managers can proactively work with departments to understand why it is happening and look for ways to drive more spend through SPCs.

DTF is also sharing data with departmental CPOs to enable them to identify and address leakage in their departments and working with them to continuously improve the accuracy of data classification.

The procurement dashboards are supporting and enhancing efficiency across the category management lifecycle. Insights into an SPC's spend profile enable category managers to establish a more effective sourcing strategy – from developing the scope to going to market and entering negotiations.

Case Study

NEW MAIL AND DELIVERY SPC

Analysis of spend data is helping to identify SPC opportunities and improve the management of existing SPCs, driving better procurement outcomes across government.

DTF's category management team used data from the procurement spend data and analysis project to understand spend on mail and delivery services which is not currently captured in the existing **Document Mail Exchange SPC**. The analysis highlighted an opportunity to broaden the scope of the SPC to include courier services and to aggregate services through a select panel of suppliers.

The new Mail and Delivery SPC should be in place by the end of 2022. The increased scope of services translates to having greater spend 'on-contract' and the potential to create value across a larger spend profile. It offers all the benefits that come with directing more government spend through SPCs such as consistent governance and service levels, streamlined procurement, reduced risk and economies of scale.

Deliver a single supplier portal

A pilot for the online supplier portal was completed in 2020–21. Over the past year, departments have been consulted to refine the portal requirements. A significant effort has been made to align the supplier portal with the broader plans for government procurement systems.

The portal will give suppliers doing business with the Victorian Government a better digital experience. Suppliers will have a single, central point to register their business details for use across government, instead of registering separately with every Victorian Government department or agency.

The portal will make it easier for suppliers to do business with government and improve visibility of the supplier base for government buyers.



10.5 million government transactions collected, classified and categorised



New dashboards and analytics



Preparing supplier portal for launch

Case Study

LEVERAGING TECHNOLOGY TO STREAMLINE PROCUREMENT PROCESSES

Across the Victorian Government, departments and agencies are implementing new procurement technologies to reduce costs, streamline and automate procurement processes, and reduce risk.

In 2021–22, the Department of Transport implemented the second phase of a new contract management system. More than 1 000 additional users began using the new contract management system in August 2021. The Department's procurement team led the onboarding process, facilitating training and resolving queries to provide a smooth transition.

The Department is now reaping the benefits of this work, including a centralised repository of procurement information and reporting on a range of key data available at the touch of a button.

Priority 2: Delivering the expansion program

From 1 July 2021, the VGPB's goods and services procurement policy framework was expanded to a further 125 agencies, including TAFEs, water corporations and catchment management authorities. The VGPB framework is now followed by all agencies subject to the **Standing Directions of the Financial Management Act 1994** (with some exclusions including, for example, health agencies and universities), bringing it in line with the scope of procurement policies for construction and social procurement.

The broader application of VGPB policies is designed to embed consistent, best practice procurement governance arrangements and processes across government. It will enable greater oversight of government spending and wider leveraging of existing SPCs.

Suppliers can also expect to see benefits such as greater visibility of upcoming procurement opportunities and details of contracts awarded.

Over the coming years, incoming agencies will transition to greater use of SPCs. SPCs offer access to aggregated demand, reduced risk, increased efficiency of contracting through pre-agreed contract terms, and centralised supplier due diligence and contract management.

Supporting agencies to transition to the VGPB framework

From 1 July 2021, agencies began a 12-month transition to comply with the VGPB framework. To support agencies and smooth their transition, the VGPB oversaw a substantial program of information sessions, workshops and one-on-one engagements.

During the first half of the year, DTF delivered 25 policy workshops detailing the VGPB policy requirements and providing support to agencies to adapt and align their procurement frameworks to the VGPB policies.

Tailored guidance material was developed to support agencies in their transition, including a model framework and procurement strategy, a downloadable guide and self-assessment checklists to support compliance attestation. All materials are available on the **Buying for Victoria website**.

Lead departments also played a key role in supporting portfolio agencies during their transition.

During the second half of the year, the focus shifted to one-on-one engagement with agencies, with additional support tailored to the needs of agencies as required.

Agencies were also brought into regular VGPB communication channels – agencies could join the Buyers' Community of Practice forums to hear updates on procurement policy and practice and send a representative to the Whole of Victorian Government Procurement Officers' meetings for peer-to-peer learning.

Throughout the transition, DTF has shared advice and support through procurement groups on the Victorian Government's Innovation Network (an online knowledge-sharing and networking space for government staff).

Transitioning agencies have made great progress. The results of more consistent procurement processes across government agencies, underpinned by strong governance and strategic planning, are starting to come through.



Case Study

REGIONAL SPORTS PRECINCT KICKING GOALS WITH IMPROVED PROCUREMENT PRACTICES AND TECHNOLOGY

Kardinia Park Stadium Trust is one of the 125 agencies transitioning to the VGPB goods and services procurement policy framework as part of the VGPB expansion program. Seeing the value in the VGPB framework, Kardinia Park began aligning their policies before the expansion program was even announced.

Kardinia Park created a CPO role and revised its procurement policy back in 2019 and then developed new guidelines, updated templates and delivered training sessions to roll out the changes.

One of the key benefits of the improved policy and guidance was greater clarity for those conducting and approving procurements. Daphne Henderson, General Manager Finance and Corporate Services at Kardinia Park has been particularly pleased that, 'The use of workflow documents and clear delegations has changed the way staff do things for the better.'

Since making these changes, Kardinia Park has benefited from the newly aligned policies and guidance, including for purchases of goods and services to support a series of capital works projects.

Daphne believes that, 'Huge efficiencies have been achieved from the application of our improved procurement guidance, which closely follows the VGPB's procurement framework.'

Another benefit of aligning with the VGPB framework has been its emphasis on forward planning. Kardinia Park is preparing a forward procurement plan that informs suppliers about upcoming procurements.

While the primary purpose of this plan is for suppliers to better plan for tenders, it has also been useful to Kardinia Park. Daphne reflected that, 'This change has forced us to start thinking about what's on the horizon and what resources are needed in the future. This is vital for us as our procurement function is largely decentralised.'

The expansion program has also provided an opportunity to establish new procurement networks across organisations. Kardinia Park recently established a community of practice that meets every two months with the Melbourne and Olympic Parks Trust and the State Sport Centre Trust. The groups share information, improve their skills and work to advance their policy and procurement processes.

Going forward, Kardinia Park is focusing on technology improvements. It will soon adopt a source-to-pay software to manage procurements electronically, minimise paper and manual work and centralise knowledge on a single platform. 'We're very excited to embark on our first contract using this technology and we'll see this all coming together soon,' said Daphne.



The Kardinia Park Stadium Trust is a statutory authority and manages the Kardinia Park Precinct that surrounds the 36 000-crowd capacity GMHBA Stadium. The stadium is an icon of Geelong and hosts major events with sizeable economic benefits for the city.

Transition to SPCs

The VGPB is overseeing work to transition expansion agencies to SPCs. To onboard agencies smoothly, transition is occurring progressively over two years, based on agency size and expiry of existing contracts.

Larger agencies began transitioning to SPCs in 2021 supported by the category management teams in DTF, the Department of Premier and Cabinet (DPC) and the Department of Justice and Community Safety (DJCS). Medium and smaller agencies will transition to SPCs during 2022 and 2023. Agencies with less than \$2.5 million in goods and services procurement spending are not required to transition to SPCs but may elect to do so if the SPC meets their needs.

Some agencies have been using SPCs for many years and will continue to do so. The VGPB has been pleased to see some early adopters transitioning to using SPCs ahead of schedule.

To support the transition, SPC category managers from DTF, DPC and DJCS delivered eight information sessions across a range of SPC categories, in addition to the policy workshops noted above.

The focus over the coming months and into 2023 is engaging with agencies to support their transition, including through interactive information and Q&A sessions.

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.

113 one-to-one meetings with agencies

25 expansion policy workshops

8 SPC workshops

5 Expansion Community of Practice Forums

 Transition guides and checklists published online

Case Study

VICTORIAN TAFE NETWORK WORKING TOGETHER TO ACHIEVE GOLD STANDARD PROCUREMENT PRACTICES

The Victorian TAFE Procurement Network was established in 2021 to provide a forum for all Victorian TAFEs to work together and support each other to transition to the VGPB framework under the expansion program.

The network has representatives from all 13 TAFEs located across Victoria who meet every two months to share information and experiences.

Denise Dyer, VGPB Board Member and Manager of Property and Procurement Services at William Angliss Institute said, 'The meetings have guest speakers and insights from category managers, expansion leads, consultants and procurement experts who share information on what is going on in this area that we might be able to tap into.'

The main focus for the group has been establishing procurement frameworks, policies and procedures to align to the VGPB framework. Denise said, 'We've been sharing information on frameworks and spend analytics to understand what we spend and what categories we spend it in.' This is a great example of engagement in action to support transition to the VGPB framework.

As a result, the network created a category framework to help identify potential areas to collectively aggregate demand or to leverage SPCs. The aim is to make sure the requirements across TAFEs are properly represented and that SPCs align with their requirements – particularly regional and smaller TAFEs.

In between meetings, members continue to share resources and experiences. 'The network has been a huge success and the TAFEs have been able to help each other with resources,' said Denise.

The network has also delivered the following activities to align TAFEs with the VGPB framework:

- established contract registers and centralised registers for each TAFE's contracts
- established contract management and supplier performance management
- published 12 to 18 months of planned procurement activity on each TAFE's website for prospective suppliers
- linked forward procurement planning with the budget process – understanding a new project or procurement early and tapping into financial forecasts.

The network will begin focusing on change management to educate buyers. This information will be shared across the network to streamline effort and enable consistent approaches across the sector. The VPSC is running a procurement micro-credential pilot and TAFE staff have been selected to participate in the pilot.

'The main benefit of transitioning to the VGPB is the lift in staff capability...We've made sure the processes and systems are in place and now staff can step through the appropriate procurement process,' said Denise.

Most TAFEs already use a range of goods and services SPCs. 'The priority now is to work together to reap the benefits from other SPCs and make sure they are fit for purpose,' added Denise.



Case Study

AMBULANCE VICTORIA'S PROCUREMENT TECHNOLOGY LEAP

Ambulance Victoria began aligning its practices with the VGPB procurement framework as early as 2016, following a review of its procurement governance policy, spend profile and major suppliers. This review spurred Ambulance Victoria to develop a procurement strategy and establish a procurement governance committee – two of the central elements of the VGPB's governance policy.

The VGPB's expansion program has provided a lever for Ambulance Victoria to take its procurement function to the next level. A gap analysis in 2021 against the VGPB policy framework revealed an opportunity to streamline processes and implement new technology solutions to support and speed up Ambulance Victoria's procurement processes and ensure compliance with the VGPB framework.

To streamline its procurement processes, Ambulance Victoria is investing in a new e-procurement system to manage the procurement process from source to delivery with better reporting and analysis.

'The new e-procurement system will create efficiencies for both staff and suppliers and is a benefit to becoming mandated by VGPB because we have a push to invest in such technology,' said Garry Button, Executive Director Corporate Services at Ambulance Victoria.

To raise awareness about new procedures and improve staff capability, Ambulance Victoria improved its documentation and published a step-by-step buying guide on its intranet.

'By using the guide, we've got a better structure to follow when managing procurements,' said Evelyn Woo, Tenders Manager at Ambulance Victoria.

The next stage of staff training will see the introduction of procurement training modules as part of an e-learning program where some modules will be mandatory for all staff and others will be designed for key staff managing major procurement projects.

'One of the benefits of the VGPB expansion program was that it raised the profile of procurement within Ambulance Victoria,' said Garry.

Ambulance Victoria is a statutory authority established in 2008 to provide statewide emergency pre-hospital care and medical transport to all Victorians.

Ambulance Victoria provides emergency medical response to almost 6.7 million people a year. Procurement is a key enabler for the work of Ambulance Victoria. Some of its key procurement activities include its fleet of ambulances, five helicopters and four fixed-wing planes.

Priority 3: Improving visibility and support for good procurement

Good procurement plays a key role in achieving government objectives, enabling organisations to maximise value for money and safeguard against risks. Procurement professionals can make an even greater contribution to achieving government objectives when they are engaged early and can help shape the strategy on what is procured and how.

In 2021–22, the Board embarked on a significant program of stakeholder engagement to lift the profile of government procurement. Board members held around 30 meetings with departmental audit committee chairs, deputy secretaries, internal procurement units, the Auditor-General, the Local Jobs First Commissioner and the CEO of the Victorian Chamber of Commerce and Industry.

Board members presented at the Buyer's Community of Practice forum in October 2021 and March 2022 to promote the VGPB's priorities and at the Victorian TAFE Procurement Network community of practice to discuss the benefits and implementation of the expansion program to agencies.

These engagements have enabled the VGPB to build relationships and a common understanding of key challenges facing government procurement. The VGPB also gathered valuable insights on how to strengthen procurement in Victoria and promote procurement best practice across government.

The Board continued to deepen its engagement with departmental CPOs. The Board would like to thank CPOs for sharing their experiences through the year. This has been instrumental in understanding the on-the-ground experience of procurement professionals in government and the key challenges and opportunities where the Board can have the biggest impact.

'The VGPB's stakeholder engagement meetings keep me connected to the CPOs, internal procurement units and audit committees. The feedback we get from these stakeholders informs our work and helps keep our policies fit for purpose.'

Samantha Winter,
VGPB member



Case Study

LEGAL SERVICES CONTRACT AWARDED TO ABORIGINAL BUSINESS

The Department of Transport continues to create opportunities to do business with Aboriginal businesses.

In early 2022, the Department engaged a majority Indigenous-owned law firm to support contract disclosure activities. As a small business, the law firm has welcomed the opportunity to work with the Department and the work performed has been delivered to a high standard.

The company initially engaged with the Department through the Transport Portfolio Aboriginal Business Engagement Working Group, established in 2020. The Working Group invited Aboriginal businesses to present and discuss barriers they faced when tendering for government work.

The Working Group has been successful in building awareness across the Department of the challenges faced by Aboriginal businesses and identified improvements to make procurement opportunities more accessible for these businesses.

'The Department is pleased that it had the opportunity to work with the Aboriginal legal firm. Through the recent appointment of a Director of Aboriginal Self Determination and Reform, the Department is well placed to identify further opportunities to work with Aboriginal businesses,' said Justin Roche, Director Procurement Governance, Policy and Systems.

The artwork above, 'Movements Between the Five Clans', was created by Gunaikurnai artist Aaron and was purchased for the Transport Portfolio Aboriginal Self-Determination Plan via The Torch Gallery.

Priority 4: Creating fit-for-purpose procurement

A key focus for the VGPB is to simplify and streamline government procurement and help make the Victorian Government a buyer of choice.

In 2021–22, the VGPB oversaw a project to research and consult with government buyers and suppliers to understand barriers to fit-for-purpose procurement and identify opportunities for improvement.

The VGPB also replaced the previous critical incident policy with a new more fit-for-purpose emergency procurement policy.

This annual report has also been streamlined to provide more focus on board activities and showcase procurement success stories through case studies. Detailed contract information is available on the **Buying for Victoria Tenders Portal** (formerly TendersVIC) with additional procurement information reported in departmental annual reports.

Barriers to fit-for-purpose procurement

As the Government seeks to leverage its spending power to achieve a range of policy outcomes for Victorians, the interaction of policies to achieve these broader outcomes can potentially make it complex for buyers and suppliers to navigate the procurement process. The research and consultation conducted in 2021–22 has enabled the VGPB to understand the key barriers to fit-for-purpose procurement and opportunities for improvement, which will inform the VGPB's future work program. As a starting point, the VGPB identified several initiatives to improve the **Buying for Victoria website** to help buyers navigate the procurement policy landscape.

Buying for Victoria website improvements

Several structural and content improvements have been implemented on the Buying for Victoria website to help buyers and suppliers navigate the procurement policy landscape. The website has a new filtering tool which searches Word documents uploaded to the website. It has more links to broader policies that influence procurement and a fact sheet to guide buyers through these policies.

New policies and guidance material

During 2021–22, the VGPB progressed work on the policy and guidance material listed below.

New emergency procurement policy and guidance

After extensive consultation, an **emergency procurement policy** was developed to strengthen government procurement during an emergency. It comes with emergency procurement guidance and a template to better equip buyers with the information and tools they need to plan and prepare their procurement response to an emergency.

The new policy applies learnings from the unprecedented level of emergency procurement needed to support Victoria's response to the COVID-19 pandemic, building in a greater focus on planning for emergency procurement. Under the new policy, departments and accredited agencies need to prepare an emergency procurement plan as part of their business continuity arrangements to support them during these fast-paced procurements.

The emergency procurement policy replaces the critical incident policy and is available on the **Buying for Victoria website**.



Case Study

THE VGPB'S NEW EMERGENCY PROCUREMENT POLICY

During emergencies and critical events, procurement plays a key role in sourcing the goods and services vital to the success of response efforts. An organisation's procurement framework must enable urgent and effective procurement of goods and services to respond to immediate requirements.

The VGPB's critical incident procurement protocol played a central role in enabling a rapid government response during COVID-19 enabling those 'on the ground' to source critical goods and services directly.

In October 2021, the Victorian Auditor-General's Office (VAGO) report, **Management of Spending in Response to COVID-19**, recommended that the VGPB review its market approach policy to include further guidance on when and how departments should activate their critical incident procurement policy.

In preparing the revised policy, the VGPB consulted with CPOs of departments and some agencies. Through this consultation process, the VGPB identified opportunities for improvement above and beyond those proposed by VAGO. A new **emergency procurement policy** was developed to replace the critical incident policy.

Key improvements included:

- a requirement for agencies to develop an 'emergency procurement plan' that is integrated with their emergency procedures and business continuity plans
- greater clarity on how and when organisations activate and cease the emergency procurement procedures
- an allowance for flexible application of the mandatory requirements.

The revised emergency procurement policy now forms part of each organisation's procurement governance framework, supporting better preparedness to respond during an emergency.

Capability building and collaborative forums

The 'Procurement Foundations' micro-credential was developed by RMIT University, with input from DTF, as part of a broader e-learning trial conducted by the VPSC. Interested individuals from departments and specified entities could access the beginner courses designed to build procurement knowledge for new procurers and incidental buyers.

DTF continued to engage with the Australian Procurement and Construction Council and carried out interjurisdictional consultations to identify opportunities to develop capability initiatives to support procurement professionals.

In 2021–22, the VGPB continued to support sharing information and building capability through these 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. Where previously these were presented in person, the technology adopted to support working from home over the last two years has allowed us to expand the audience, bringing together more than 500 procurement practitioners at two forums from across regional and metropolitan locations.

Whole of Victorian Government Procurement Officers' meeting

These meetings for procurement practitioners from departments and specified entities focus on peer-to-peer learning and sharing practical experience. Five Procurement Officer meetings were held in 2021–22, covering themes such as supplier relationships, stakeholder relationships and ICT procurement (see Figure 2).

Online Buyer's forum

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



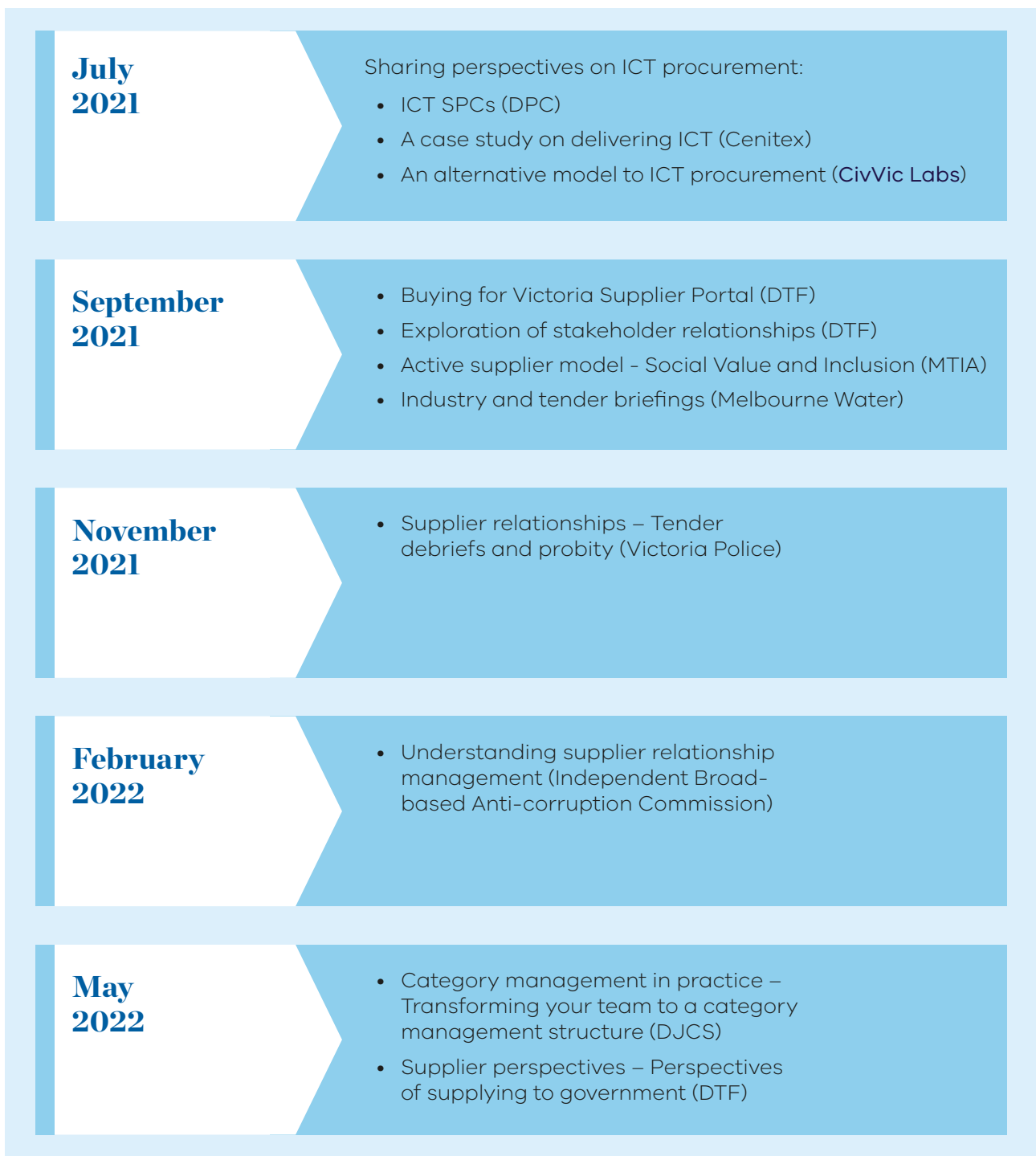
	2 Procurement Community of Practice forums
	5 Procurement Officers' meetings
	760 government members in the online buyer's group on the Innovation Network.

FIGURE 2: PRESENTATIONS AT PROCUREMENT OFFICERS' MEETINGS



Compliance

Under the *Financial Management Act 1994* (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 the supply policies, including compliance reporting, accreditation, audits, performance measures and monitoring complaints.

Changes to compliance reporting

Following the expansion of the VGPB's remit to include a further 125 agencies, the VGPB has changed compliance reporting to enable effective monitoring across more organisations. For the first time, VGPB policy requirements have been incorporated into the annual **Standing Directions 2018** (SD) compliance reporting process.

From 30 June 2022, departments and specified entities will assess compliance with VGPB policies through **SD 4.2.1.2 – Agencies subject to VGPB coverage**. Concessional arrangements were put in place for 2021–22, with organisations assessing compliance against SD 4.2.1.2 as at 30 June 2022. Full year compliance reporting will begin from 2022–23.

This new approach to compliance monitoring is the same for all **departments and specified entities**, both existing and expansion agencies. It elevates compliance with VGPB policy requirements to become a core part of the Victorian Government's ongoing financial management compliance monitoring process.

Attestations under the Standing Directions are made by the Accountable Officer (Secretary, CEO or equivalent) typically following a review of relevant evidence by the organisation's audit committee. Each requirement in the Standing Directions is also subject to an internal audit at least every four years.

Organisations' attestation information from 2021–22 will be available to the VGPB in late 2022 and outcomes reported in the VGPB Annual Report each year beginning 2022–23.

This year's report includes compliance information from the following departments and accredited agencies:

- Department of Education and Training (DET)
- Department of Environment, Land, Water and Planning (DELWP)
- Department of Health (DH)
- Department of Families, Fairness and Housing (DFFH)
- Department of Jobs, Precincts and Regions (DJPR)
- Department of Justice and Community Safety (DJCS)
- Department of Premier and Cabinet (DPC)
- Department of Transport (DoT)
- Department of Treasury and Finance (DTF)
- Cenitex
- Major Transport Infrastructure Authority (MTIA)
- Victoria Police.

Any reference to 'departments and accredited agencies' or 'organisations' in this section refers only to the 12 departments and agencies listed here.

Non-compliance reported in 2020–21

In the VGPB Annual Report 2020–21, four organisations reported non-compliance with VGPB policy requirements. As at 30 June 2022, three organisations have fully addressed their reported non-compliance, and one organisation has partially addressed the reported non-compliance with one action still in progress, as detailed in Table 2.

TABLE 2: ACTIONS TAKEN TO ADDRESS COMPLIANCE REPORTING AT THE END OF FINANCIAL YEAR 2020–21

Organisation	Policy area	Non-compliance	Action / status
Department of Environment, Land, Water and Planning	Policy 2: Complexity and Capability Assessment	Procurement capability development plan not completed.	Fully addressed Plan completed in May 2021.
Department of Transport	Policy 5: Contract Management and Contract Disclosure	Contracts of over \$10 million not published as required.	Fully addressed Non-compliance was incorrectly reported as the issues related to construction procurement. Confirmed that all goods and services contracts were published as required. Construction contracts publishing issue has also been addressed.
Cenitex	Policy 5: Contract Management and Contract Disclosure	Supplier insurance certificate expiry dates not monitored.	Fully addressed Certificate expiry now checked monthly in the eProcurement platform and yearly across vendors and contracts outside the eProcurement platform.
Victoria Police	Policy 1: Governance	Incomplete procurement strategy (contract management planning strategy and capability development plan to be drafted).	In progress Developed a contract management framework covering contract management policies, processes, tools and templates. Provided contract administration training to all new contract managers. Capability development plan under development.

VGPB accreditation

The VGPB policies require newly established departments and some specified entities to apply for and obtain VGPB accreditation. Accreditation involves an organisation providing the VGPB with evidence demonstrating compliance with the goods and services supply policies. If the VGPB is satisfied with the evidence of compliance, the agency becomes accredited and subject to the ongoing VGPB audit program.

Where machinery of government changes result in the creation of new departments or significant changes to an existing organisation's procurement function, the newly formed organisations are required to submit a new accreditation application.

Three organisations have been preparing accreditation applications during 2021–22 for assessment by the VGPB. DH, DFFH and MTIA will all submit accreditation applications in 2022–23.

Agencies subject to the VGPB expansion are not required to apply for accreditation.

Audits

Once an organisation is accredited by the VGPB, ongoing compliance is monitored through annual attestation and the VGPB audit program. The VGPB requires departments and accredited agencies to include procurement audits in their internal audit schedule, share the reports with the VGPB and report back to the VGPB on progress in addressing audit recommendations.

The VGPB audit program has four primary objectives:

- verify compliance with the VGPB policy framework
- minimise procurement risks by ensuring they are well managed
- identify and implement process improvements as part of a continuous improvement focus
- provide a feedback loop to the VGPB to monitor the audit program for any issues.

A new VGPB audit approach came into effect on 1 July 2021, shifting from broader audits covering all VGPB policies to audits focused on an organisation's most significant procurement risks and improvement opportunities. Audits will also happen more frequently, taking place twice every three years instead of once every three years.

The new approach reflects the increased maturity of organisations that have been operating under the current VGPB framework since its introduction in 2013.

TABLE 3: VGPB AUDIT PROGRAM SCHEDULE FROM 2021–22 TO 2023–24

	Most recent VGPB audit completed	2021–22	2022–23	2023–24
Department of Education and Training	February 2020		✓	✓
Department of Environment, Land, Water and Planning	December 2020		✓	✓
Department of Families, Fairness and Housing	August 2020		✓	✓
Department of Health	August 2020		✓	✓
Department of Jobs, Precincts and Regions	October 2020	✓		✓
Department of Justice and Community Safety*	July 2018	✓	✓	✓
Department of Premier and Cabinet	August 2019 + resampling June 2021		✓	✓
Department of Transport	June 2021		✓	✓
Department of Treasury and Finance	April 2019	✓	✓	
Victoria Police	May 2019		✓	✓
Cenitex	August 2020		✓	✓

* The Department of Justice and Community Safety did not complete an audit in the previous three-year cycle, so is required to complete three audits during the current three-year cycle.

Audits in 2021–22

DJPR completed the first of its two audits in June 2022. The audit identified three areas for improvement in contract management, asset disposal and variation disclosure. Agreed management actions have been set out for each of these areas with estimated completion by Q2 of 2022–23.

DTF and DJCS both began audits in Q4 of 2021–22. Findings will be reported in next year's annual report (2022–23).



Case Study

A MORE TARGETED AUDIT APPROACH FOR THE VGPB

In July 2021, the VGPB introduced a new approach to procurement audits. This new approach allows an organisation's audit committee to determine the scope of its procurement audit in consultation with the VGPB, so that organisations target key risks and opportunities for improvement specific to their context. It also takes advantage of the expertise and insight offered by audit committees.

In April 2022, DTF submitted their proposed audit scope to the VGPB for consideration. DTF's procurement operation has two very different functions – regular corporate procurement and the management of very large SPCs. The new audit approach gave DTF's audit committee the flexibility to design two separate audits tailored to the different risk profiles of each function. Auditors can now spend more time on the most significant risks and give more targeted recommendations that will add meaningful value when implemented.

'It is pleasing to see the VGPB's new audit approach shift from compliance-based audits performed once every three years to a model which gives greater ownership to departments' audit committees. It gives departments the flexibility to target audits to the most important risks and process improvements for their specific context.'

Helen Thornton,
Chair of the DET Audit and Risk Committee

Complaints

The VGPB policy framework requires that a complaints management process be in place that sets out the process and procedures for investigating and resolving complaints. Departments and accredited 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.

Six complaints related to procurement activity were reported in 2021–22. DET, DH and Victoria Police all received one complaint and DoT received three. All complaints were investigated in line with the organisation's complaints procedure. Of these, five were resolved, and one was escalated to the VGPB to investigate.

The escalated complaint was made to Victoria Police in relation to tender documentation and process. It was referred to the VGPB for resolution in June 2022 after the complainant was dissatisfied with the outcome from Victoria Police's investigation. The outcome will be reported in the VGPB Annual Report 2022–23.

Resolution of complaints from 2020–21

At the end of the previous financial year (30 June 2021), two complaints were under review by the VGPB. These reviews were completed in early 2021–22 and concluded that there was no evidence of non-compliance with VGPB policies.

One complaint related to a procurement carried out by Victoria Police. While the VGPB investigation concluded that Victoria Police had complied with VGPB policy in undertaking the tender process, the VGPB did recommend a change to Victoria Police's procurement risk management strategy for future tenders. Victoria Police has addressed this recommendation.

The second complaint related to how DTF had communicated with the market before releasing a tender. The VGPB investigation, which was supported by a probity adviser, concluded that DTF had complied with VGPB policy.

Performance

Departments and accredited agencies track their procurement performance each year against five performance measures and report these to the VGPB:

1. Value created from department procurement activity
2. Managed spend
3. Increase/decrease in procurement activity
4. Supplier satisfaction
5. Planned procurement activity as a percentage of actual procurement activity

Notes relating to performance measure reporting

Organisational procurement profiles vary in complexity, size and model. Individual results cannot be compared with other organisations.

DH and DFFH were established through machinery of government changes on 1 February 2021. Scores for 2019–20 and 2020–21 were reported through the former Department of Health and Human Services, so DH and DFFH have identical scores for these two financial years.

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 department'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 based on financial and non-financial values, so are influenced by several factors including the procurement profile and operating model (centralised/decentralised), reporting mechanisms in place and the type of procurements undertaken (i.e., 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, will influence the outcomes of this measure and the opportunities that exist to negotiate savings.

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

In 2021–22, four organisations saw an increase in value created through procurement, attributing improvements to process and reporting improvements and/or implementing a category management model. These organisations also noted that the development of tools, templates and further training for procurers helped drive improvements.

Seven organisations saw a decrease in this measure compared to the previous year. Some organisations reported that results were affected by difficulties in accurately recording data due to increased workload and strain placed on procurement functions during the COVID-19 pandemic, but noted that improvements in data collection processes were planned for the coming year.

TABLE 4: VALUE CREATED AS A CONSEQUENCE OF DEPARTMENT PROCUREMENT ACTIVITY

Organisation	2019–20	2020–21	2021–22
	%		
Department of Education and Training	8.9	14.1	13.3
Department of Environment, Land, Water and Planning	5.3	8.8	3.2
Department of Families, Fairness and Housing	4.1	2.8	2.6
Department of Health	4.1	2.8	0.5
Department of Jobs, Precincts and Regions	0.2	1.8	7.2
Department of Justice and Community Safety	10.0	4.7	9.7
Department of Premier and Cabinet	1.9	5.3	4.6
Department of Transport	2.2	4.5	1.0
Department of Treasury and Finance	11.9	14.2	13.0
Cenitex	10.8	2.7	3.8
Major Transport Infrastructure Authority	–	–	6.3
Victoria Police	3.8	4.9	5.3

Note: The Major Transport Infrastructure Authority could not track this measure in 2020–21 but rolled out a new financial and contract management system in late 2021 which has enabled it to track this information.

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.

In 2021–22, eight organisations saw an increase in managed spend compared to the previous year and one organisation (Cenitex) has maintained 100 per cent managed spend since 2019–20. Two organisations reported that the increase was driven by an organisational change to increase centralisation of procurement, while one agency reported it was driven by new procurement systems which enabled more efficient central review of procurements.

The reduction in managed spend for DJCS followed a policy change to increase the value threshold for procurements which can be conducted by business units to allow the central team to focus on high-value strategic procurements and detailed category analysis.

The remaining organisations saw changes in managed spend independent of policy change, reflecting year-to-year changes in the balance of higher value/complexity procurements, which are undertaken or overseen by central teams, and lower value/complexity procurements, which are not.

TABLE 5: MANAGED SPEND

Organisation	2019–20	2020–21	2021–22
	%		
Department of Education and Training	49.7	45.6	60.1
Department of Environment, Land, Water and Planning	26.9	67.8	81.9
Department of Families, Fairness and Housing	93.0	66.3	39.2
Department of Health	93.0	66.3	88.1
Department of Jobs, Precincts and Regions	8.2	54.4	86.2
Department of Justice and Community Safety	–	76.0	53.5
Department of Premier and Cabinet	29.3	29.8	34.9
Department of Transport	79.8	78.8	97.9
Department of Treasury and Finance	97.6	98.0	98.4
Cenitex	100	100	100
Major Transport Infrastructure Authority	–	71.4	40.4
Victoria Police	86.1	82.5	83.6

Performance measure 3: Increase/decrease in procurement capability

Organisations assess their capability at the end of each financial year using the VGPB capability assessment tool. The increase or decrease is then measured year-on-year to show the change in organisational procurement capability.

In 2021–22, five organisations reported an increase in their capability score compared to the previous year, attributing the improvement to staff training, and improved technology, policies and guidance.

Two organisations reported significant decreases in their capability score in 2021–22. DoT's reduced capability score followed the findings of a recent audit report, and a period of significant staff turnover. Victoria Police also reported a decrease in capability, which it attributed to resourcing challenges. Both DFFH and DH reported a decrease in procurement capability, however their year-on-year capability score remains high.

TABLE 6: PROCUREMENT CAPABILITY INCREASE/DECREASE

Organisation	2019–20	2020–21	2021–22
	%		
Department of Education and Training	2.3	0.7	0.0
Department of Environment, Land, Water and Planning	6.3	2.9	2.4
Department of Families, Fairness and Housing	2.8	0.0	-6.1
Department of Health	2.8	0.0	-3.4
Department of Jobs, Precincts and Regions	10.6	25.2	2.1
Department of Justice and Community Safety	2.6	5.9	5.2
Department of Premier and Cabinet	11.8	7.4	-2.9
Department of Transport	18.7	1.4	-21.4
Department of Treasury and Finance	3.4	0.8	4.1
Cenitex	8.6	0.8	0.0
Major Transport Infrastructure Authority	-	-	7.6
Victoria Police	-10.4	-4.9	-9.2

Note: 2020–21 was the first year that the Major Transport Infrastructure Authority reported directly to the VGPB. Capability was measured last year but no increase or decrease could be reported until this year. The Authority previously reported procurement data through the Department of Transport.

Performance measure 4: Supplier satisfaction

The supplier satisfaction assessment is based on a survey sent to suppliers either at the end of the procurement process or at the end of the quarter or financial year.

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 2021–22, seven organisations reported an improvement in unsuccessful supplier satisfaction, compared to the previous year. Three of these organisations reported that a focus on improved supplier communications has driven this improvement.

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

TABLE 7: SUPPLIER SATISFACTION SURVEY

Organisation		2019–20	2020–21	2021–22
		%		
Department of Education and Training	Successful suppliers satisfied	79	89	100
	Unsuccessful suppliers satisfied	52	38	62
Department of Environment, Land, Water and Planning	Successful suppliers satisfied	60	85	67
	Unsuccessful suppliers satisfied	32	57	32
Department of Families, Fairness and Housing	Successful suppliers satisfied	83	90	94
	Unsuccessful suppliers satisfied	38	33	34
Department of Health	Successful suppliers satisfied	83	90	94
	Unsuccessful suppliers satisfied	38	33	36
Department of Jobs, Precincts and Regions	Successful suppliers satisfied	86	89	100
	Unsuccessful suppliers satisfied	57	42	20
Department of Justice and Community Safety	Successful suppliers satisfied	69	90	91
	Unsuccessful suppliers satisfied	33	50	57
Department of Premier and Cabinet	Successful suppliers satisfied	100	73	100
	Unsuccessful suppliers satisfied	75	64	67
Department of Transport	Successful suppliers satisfied	69	82	86
	Unsuccessful suppliers satisfied	26	22	14
Department of Treasury and Finance	Successful suppliers satisfied	100	100	89
	Unsuccessful suppliers satisfied	55	100	83
Cenitex	Successful suppliers satisfied	67	100	100
	Unsuccessful suppliers satisfied	40	33	25
Major Transport Infrastructure Authority	Successful suppliers satisfied	–	80	64
	Unsuccessful suppliers satisfied	–	21	26
Victoria Police	Successful suppliers satisfied	93	80	100
	Unsuccessful suppliers satisfied	33	0	20

Note: Each organisation determines the methodology to select the sample for the survey and the sample size may vary from year-to-year.

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 departments and specified entities to create and publish a forward procurement plan on their websites. This measure seeks to assess 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.

In 2021–22, seven organisations reported an improvement in planned procurement activity compared to the previous year. Key drivers included a reduction in emergency procurements responding to the COVID-19 pandemic and increased communication and engagement between procurement units and other business units.

Three organisations reported a significant decrease in planned procurement activity in 2021–22 (≈20 per cent) for the following reasons:

- DJPR attributed this to procurements related to the COVID-19 response and the Victorian Government’s Commonwealth Games bid.
- DELWP decreased the dollar threshold for recording procurement activity on its forward activity plan making it difficult to compare results from this year and last.
- For Cenitex, several planned procurements were cancelled or deferred, and unplanned procurements increased due to Cenitex responding to the changing needs of government.

TABLE 8: PLANNED PROCUREMENT ACTIVITY AS A PERCENTAGE OF ACTUAL PROCUREMENT ACTIVITY

Organisation	2019–20	2020–21	2021–22
	%		
Department of Education and Training	46.7	8.5	9.8
Department of Environment, Land, Water and Planning	71.7	55.6	35.6
Department of Families, Fairness and Housing	22.4	24.5	26.8
Department of Health	22.4	24.5	19.4
Department of Jobs, Precincts and Regions	38.5	54.0	32.1
Department of Justice and Community Safety	24.9	17.6	24.2
Department of Premier and Cabinet	50.0	9.1*	12.6
Department of Transport	10.5	11.6	24.7
Department of Treasury and Finance	59.1	44.8	50.0
Cenitex	35.7	57.7	37.6
Major Transport Infrastructure Authority	–	78.2	79.6
Victoria Police	82.6	73.2	70.1

* Incorrectly reported as 45.0% in 2020–21.

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. Total annual spend under SPCs was estimated to be about \$2.4 billion in 2021–22.

The transition to SPCs under the expansion program began with the largest agencies transitioning across to SPCs at the end of 2021. This will continue over the next two and a half years until all expansion agencies, with a yearly spend on non-construction goods and services of \$2.5 million or more, are purchasing through SPCs.

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 Priority 2: Delivering the expansion program).

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 SPCs?

All Victorian Government departments and specified entities can access SPCs. This includes entities declared under section 54AA of the FMA, including the **VPSC**. Government owned entities and Government supported organisations such as not-for-profit organisations that receive at least 25 per cent of their funding from a Budget Sector Agency can also apply to access SPCs through the relevant lead agency.

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 new SPC business cases prior to approval by the relevant Minister. The VGPB is also consulted on SPC renewals, replacements and extensions (not including exercising contractual options). Four business cases for new SPCs were reviewed and endorsed by the VGPB in 2021–22, including the Amazon Web Services and Rapid Antigen Test Kit SPCs established during 2021–22, and two business cases for SPCs to be established in 2022–23.

SPCs approved in 2021–22

In 2021–22, seven SPCs were approved as listed in Tables 9 and 10. This compares to four SPCs approved in 2020–21. Several sourcing activities were put on hold in 2020–21 due to the initial COVID-19 pandemic disruptions which resulted in a higher number of market engagement activities during the past 12 months.

The total estimated value of these SPCs is likely to increase as expansion agencies join the SPCs over the next two years.

Twelve variations to SPCs were also reported in 2021–22, as listed in Tables 11 and 12. Reasons for variations range from ensuring service continuity to incorporating social procurement requirements into the agreement.

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 9: SPCS ESTABLISHED BY DTF IN 2021-22

Project title	Total estimated value (\$m)	Contract term (yrs)	Options (yrs)	Complexity assessment outcome	Market approach method	Type of arrangement	No. of suppliers
Banking and Financial Services	360.0	5	2+2	Strategic	Public Tender	Closed Panel	3
Card Fuel and Associated Products	175.0	3	2	Strategic	Public Tender	Closed Panel	3
Rapid Antigen Test Kit*	N/a	1	1+1+1	Strategic	Public Tender	Open Panel	7
Print Management and Associated Services	100.0	3	1+1	Strategic	Public Tender	Sole Supplier	1
Staffing Services	1 700.00	3	1+1	Strategic	Public Tender	Closed Panel	14

* Two separate contracts were established, one serving the Department of Health and the other dedicated to non-health departments. It is not possible to provide a total estimated value for the Rapid Antigen Test Kit SPC due to the rapidly changing global environment, demand/volume, price, product availability, lead times and the focus on securing stock as quickly as possible.

TABLE 10: SPCS ESTABLISHED BY DPC IN 2021-22

Project title	Total estimated value (\$m)	Contract term (yrs)	Options (yrs)	Complexity assessment outcome	Market approach method	Type of arrangement	No. of suppliers
Victorian Telecommunications Services	1 224.0	6	0	Strategic	Public Tender	Closed Panel	23
Amazon Web Services	60.0	3	1	Strategic	Direct Source	Sole Supplier	1

Variations to SPCs in 2021–22

TABLE 11: VARIATIONS TO DTF-MANAGED SPCS IN 2021–22

SPC	Total estimated value (\$m)	Reason for variation
Banking and Financial Services	Nil – Operational requirement	Three variations made to adjust for operational requirements.
Electricity – Large Sites (above 40 MWh)	Nil – Operational requirement	Contract varied to incorporate requirements for VGPB expansion agencies and add social procurement requirements.
Electricity – Small Sites (below 40 MWh)	Nil – Operational requirement	Contract varied to incorporate requirements for VGPB expansion agencies and add social procurement requirements.
Natural Gas – Large Sites (above 10 000 GJ)	Nil – Operational requirement	Contract varied to incorporate social procurement requirements.
Natural Gas – Small Sites (below 10 000 GJ)	Nil – Operational requirement	Contract varied to incorporate social procurement requirements.
Stationery and Workplace Consumables	41.0	Contract extended by 12 months to maintain value for money and supply chain stability during COVID-19.
Document Mail Exchange (DX) Service	1.4	Contract extended by 4 months to provide sufficient time for the new Mail and Delivery Services SPC to be established.
Master Agency Media Services	5.6	Two variations were made to adjust for operational requirements.

TABLE 12: VARIATIONS TO DPC-MANAGED SPCS IN 2021–22

SPC	Total estimated value (\$m)	Reason for variation
Telecommunications Services Contract (TPAMS2025)	153.0	Contract extended by 3 months to support the launch of the Victorian Telecommunications Services Panel.
Citrix Systems	10.5	Contract extended by 12 months with the inclusion of cloud services to the Citrix price book.
Data#3	103.9	Contract extended by 12 months to allow sufficient time for robust market testing.
eProcurement Platform	0.8	Contract extended by 12 months to provide service continuity.



Case Study

DIVERSIFYING VICTORIAN GOVERNMENT SUPPLIERS TO INCLUDE MORE REGIONAL AND SOCIAL ENTERPRISE BUSINESSES

The current **Professional Advisory Services (PAS) SPC** was established in 2020. It's a panel with about 200 qualified professional advisory service providers, including sole traders, small to medium enterprises (SMEs) and larger corporates.

The SPC provides commercial and financial advisory services, tax advisory services, financial assessment services and probity services to departments and agencies. The pre-negotiated contract terms and ceiling rates enable a more streamlined and standardised engagement. This means departments and agencies can run an efficient and competitive process with panel suppliers focused on achieving a value-for-money outcome.

The number of agencies using mandatory SPCs like PAS is set to increase significantly as expansion agencies not already using SPCs transition their procurement needs across to these contracts. To support the additional agencies and their different locations, sizes and needs, DTF recently gave the market the opportunity to apply for the PAS SPC panel.

DTF's procurement team developed a communications strategy for the tender to further diversify the panel by encouraging applications from SMEs and regional and social benefit businesses. DTF advertised and promoted the panel broadly by working closely with the Department of Jobs, Precincts and Regions and social procurement intermediaries and supplier representative/industry bodies.

Expanding the panel provides an opportunity for suppliers already supporting VGPB expansion agencies to participate in the panel and expand their customer base.

New SPC opportunities

DPC managed SPCs

Amazon web services

In 2021–22, DPC established the **Amazon Web Services (AWS) SPC**. AWS provides a world class, secure hosting platform which supports the Victorian Government’s cloud ambitions under its **Digital Strategy 2021–2026**. The AWS SPC will achieve value for money from aggregating volume to leverage cost savings and will give Victorian Government users – and in particular users from smaller departments and agencies – the benefit of better tools with which to deliver government services digitally.

Victorian telecommunication services

The Victorian Telecommunication Services (VTS) SPC provides telecommunication services across four towers: data and internet, mobility, fixed voice and unified communications and contact centre services.

The VTS SPC was refreshed in 2021–22 to maximise value for money. The number of service towers were consolidated from five to four to deliver the Victorian Government’s current and future service needs in a simple standardised way. It offers an expanded panel of suppliers with better regional coverage, making it easier for small and large government buyers to consume services.

The VTS is a flexible agreement offering the latest services and product catalogue across a panel of suppliers resulting in high-quality and affordable services for customers while also improving access to innovative and emerging technologies. The refreshed SPC also expanded the number of suppliers on the panel to better meet the different needs of large, small and regional government agencies.

DTF managed SPCs

Banking and financial services

In October 2021, the **Banking and Financial Services SPC** panel launched with three banks. The new panel model gives government agencies more flexibility by providing access to a broader range of banking services and products in the metropolitan and regional areas. The contract also provides greater opportunity to improve delivery and efficiency outcomes by taking advantage of increased market competition and better ability to access and adopt new products, services and innovations as they evolve over time. The SPC incorporates supplier social procurement commitments that will work to increase the employment and training opportunities for women and youth in Victoria.

Print management and associated services

The **Print Management and Associated Services SPC** offers access to a dedicated account management team of print experts serviced by over 300 approved print suppliers which include regional suppliers and social benefit enterprises. The scope of the SPC has been expanded to include signage, branded merchandise and mailing and distribution services with the inclusion of print consultancy that will lead to greater end-to-end efficiencies.

Staffing services

The new **Staffing Services SPC** commenced in October 2021. The new arrangement has 14 master vendors supported by more than 60 tier-2 suppliers. It provides geographic coverage across the state with 149 metro and 97 regional and rural locations. The SPC offers an increased scope of roles to meet the needs of government agencies, and includes a simple, competitive price structure with discounts, underpinned by robust service level and social procurement commitments.

Rapid antigen test kits

The COVID-19 pandemic resulted in high demand for rapid antigen tests (RATs) and emergency supplies across the health sector, non-health government departments and agencies, industry and the community. DTF and **HealthShare Victoria** worked together, leveraging HealthShare's expertise to identify and model expected usage patterns relating to the RAT category to develop and implement the **Rapid Antigen Test Kit SPC** from December 2021. The aggregation of purchasing volumes helped drive the most economical whole-of-government, value-for-money outcome for the RAT Kit SPC.



Case Study

PROCURING RAPID ANTIGEN TESTS TO SUPPORT THE COVID-19 RECOVERY

In 2021, rapid antigen tests (RATs) were introduced to support the COVID-19 recovery.

With demand across government, a whole of Victorian Government procurement strategy to purchase RATs was developed. The approach aggregated this demand and centralised purchasing to produce competitive pricing for RATs into the future. It also ensured consistent quality of RATs used across departments and agencies. DTF partnered with HealthShare Victoria (HSV) on a joint procurement approach, with input from the Department of Health on the procurement specifications.

The objective was to establish a SPC as quickly as possible with a panel of suppliers providing high-quality Therapeutic Goods Administration (TGA) approved RATs.

In what was quickly becoming a constrained market, any delay in establishing this contract would reduce the savings that could be achieved through an aggregated process and reduce the ability to procure in the large volumes required to secure supply to meet future demand.

To enable a rapid response, DTF invoked the VGPB's critical incident policy, which gives organisations flexibility to streamline procurement processes in response to an emergency.

The SPC business case was approved by the Assistant Treasurer and governance of the procurement was overseen by a project control board supported by an independent probity adviser. An open tender process was conducted to provide an opportunity for all suppliers to participate.

A partnered approach with HSV was key to the success of the procurement. A contract was awarded to a panel of seven suppliers that could meet the specifications and timelines to supply high-quality and competitively priced RATs to health and non-health departments and agencies.

Abbreviations

CPO	Chief procurement officer
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DFFH	Department of Families, Fairness and Housing
DH	Department of Health
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DPC	Department of Premier and Cabinet
DoT	Department of Transport
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
FMCG	Fast-moving consumer goods
GST	Goods and services tax
HSV	HealthShare Victoria
IBAC	Independent Broad-based Anti-corruption Commission
ICT	Information and communications technology
IT	Information technology
MTIA	Major Transport Infrastructure Authority
PAS	Professional advisory services
RAT	Rapid antigen test
SME	Small to medium enterprises
SPC	State purchase contract
TAFE	Technical and Further Education
UNSPSC	United Nations Standard Products and Services Code
VAGO	Victorian Auditor-General's Office
VTS	Victorian Telecommunication Services
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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