



# V G P B

**Victorian Government  
Purchasing Board**  
Achieving excellence in  
government procurement

ANNUAL REPORT

17/18

## **Victorian Government Purchasing Board Annual Report 2017–18**

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# BETTER PROCUREMENT PRACTICE

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

**The Victorian Government Purchasing Board (VGPB) sets the policies that govern procurement of non-construction goods and services across all Victorian Government departments and some public bodies.**

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

**We recognise that many people inside and outside of government are affected by Victorian Government procurement. We strive to work with all our stakeholders to get the most out of procurement, for the benefit of all Victorians.**

## ABOUT THIS REPORT

The **VGPB Annual Report 2017–18** describes our work and activities between 1 July 2017 and 30 June 2018.

It summarises work carried out to meet our regulatory obligations and achieve our vision. We also report on the purchasing activity and procurement performance of 11 organisations mandated or accredited to apply VGPB policies: the seven Victorian Government departments, CenITex, Public Transport Victoria, VicRoads and Victoria Police.

The VGPB is a Victorian Government-owned body corporate. This report is required under section 54M of the *Financial Management Act 1994*.

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

# MESSAGE FROM THE CHAIR

It's an exciting time for procurement in Victoria as we introduce important changes, building on the foundations we have established, to optimise effective and efficient use and governance of public funds.

Procurement is so much more than just buying goods and services – it is a strategic and operational management function to deliver business outcomes, support operations and manage risk. It has the power to influence markets and initiate change to benefit all Victorians. Government is able to use its buying power to enter into procurement contracts delivering social and sustainable benefits, such as creating job opportunities or skills-based training in areas of disadvantage.

To ensure procurement makes a positive difference to Victorians, the Government released Victoria's Social Procurement Framework in April 2018. This framework will embed social procurement within government procurement processes to maximise benefits for the Victorian community.

There are greater opportunities for digitisation and harmonisation across the Victorian procurement landscape. Currently buyers operate under two separate policy frameworks for construction and non-construction goods and services, with each located on different websites. Bringing these together under one website — along with all other government procurement-related information — will make it easier for buyers and suppliers providing goods and services to government.

We also plan to expand the remit of the VGPB from 32 to around 300 entities. Historically, smaller agencies have not reported to the VGPB for reasons of practicality. But the Board has always encouraged smaller entities to apply VGPB policies, especially since the 2013 reform, which enabled an entity to scale its approach to procurement based on its complexity and risk profile. A new scalable approach will be developed to efficiently accredit the broader range of entities to operate under the VGPB supply policy framework.

The past few years have involved embedding the supply policies, but now the focus is on expanding the framework and harmonising procurement across the wider Victorian public sector.

The Board is working with departments and chief procurement officers (CPOs) across government to implement Victoria's Social Procurement Framework, expand the VGPB's framework, harmonise procurement policy and practice, drive digitisation of procurement and enhance buyer capability to help implement change. The VGPB has extensive commercial and government procurement experience and will continue to lead, advise and advocate for best practice in government procurement.

On behalf of the VGPB, I would like to convey my appreciation to the Minister for Finance, Robin Scott MP, for his continued support of the VGPB to drive strategic change across government. The Board appreciates the collaborative approach of the Government and CPOs in working with the VGPB to implement a governance structure to progress the current procurement objectives of delivering better value to government and reducing the burden on suppliers and buyers.

I would particularly like to thank our outgoing Chair, (Dr) Lynne Williams. Lynne was instrumental in guiding the VGPB through its 2013 reform and has positioned the Board to tackle the challenges ahead. I would also like to thank our outgoing longest standing member, Marisa De Cicco, who contributed hugely over the years.

Thanks also to all VGPB members and the VGPB Secretariat, who demonstrated dedicated commitment to their roles throughout the year.

I look forward to an exciting and rewarding year ahead as we implement the workstreams and begin reshaping the Victorian Government procurement landscape.



Antoinette Brandi  
Chair, Victorian Government Purchasing Board



# YEAR IN REVIEW

## OUR PERFORMANCE STORY

A major focus for the VGPB this year was establishing the governance framework for a new program of work. We are responsible and accountable for delivering the strategic objectives of this significant program of work.

In late 2017, the VGPB reviewed its strategic plan against broader government initiatives. From this review, we identified five workstreams:

1. Victoria's Social Procurement Framework and reporting
2. Governance, extending the reach
3. Policy and practice
4. Procurement technology
5. Capability, streamlining processes and practices and leading change management

Each workstream has multiple initiatives to be implemented progressively. The fifth workstream (capability and change management) works across each stream to apply a standardised, aligned process to increase capability and deliver change.

Our remit will gradually expand from goods and services procurement carried out by 32 government entities to about 300 government entities.

We will work on greater harmonisation across the Victorian procurement landscape, reducing the disconnect between procurement of construction and that of non-construction goods and services, and centralising all content to make it available on one website.

Social procurement will be embedded into the procurement process through our core principle of value for money.

We will also work on driving procurement digitisation and enhancing buyer capability to help implement change.

## How will we implement it?

We started by revising our five-year strategic plan (2016–21) to align our former strategic directions with the five workstreams. We have several new priorities to deliver over the coming years.

Figure 1 shows how it all fits together.

**FIGURE 1: VGPB STRATEGIC OVERVIEW**

**OUR VISION**

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

**OUR MISSION**

To ensure government:

develops procurement capability

delivers value-for-money and fit-for-purpose outcomes

minimises risk

enables access to procurement opportunities for all businesses

**OUR PRINCIPLES**

All procurement activity must meet four principles:

Value for money

Accountability

Probity

Scalability

**OUR 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

**OUR STRATEGY**

Five workstreams with multiple initiatives:

Victoria's Social Procurement Framework and reporting

Governance, extending the reach

Policy and practice

Procurement technology

Capability, streamlining processes and practices and leading change management

**OUR NETWORK**

The VGPB covers 32 government organisations. This includes the seven Victorian Government departments, CenITex, Public Transport Victoria, VicRoads and Victoria Police (see *Scope of our policies* in *About the VGPB* for more detail).

We work closely with our stakeholders to ensure our policies are modern, relevant and easy to apply.

## OUR ACTIVITIES IN 2017–18

Table 1 summarises our activities in 2017–18, followed by more detail on what we did under each workstream.

**TABLE 1: SUMMARY OF VGPB WORKSTREAM PROJECTS AND INITIATIVES IN 2017–18**

Project	Status
Revise the VGPB's five-year strategic plan to align with the five streams of work	In progress
<b>Workstream 1: Victoria's Social Procurement Framework and reporting</b>	
Create an implementation plan for Victoria's Social Procurement Framework with buyer and supplier stakeholder analysis, change management and communication strategies	Complete
Develop tools and templates to help buyers apply Victoria's Social Procurement Framework	In progress
Set up a government directory to give buyers access to social benefit suppliers	In progress
Develop a reporting framework to measure the benefits of Victoria's Social Procurement Framework without adding an administrative burden	In progress
<b>Workstream 2: Governance, extending the reach</b> <b>Previously Strategic Priority 4: Broaden the VGPB's impact on Victorian public sector procurement</b>	
Accredit CenITex to operate under the VGPB policy framework on 1 July 2017	Complete
Draft a strategy with a scalable approach to governance and monitoring across various entities to extend the VGPB's reach from 32 to about 300 entities	In progress
<b>Workstream 3: Policy and practice</b> <b>Previously Strategic Priority 1: Embed and enhance VGPB supply policies</b>	
Update VGPB standard contract templates with the Supplier Code of Conduct and current legislative requirements	Complete
Develop a guide to procuring uniforms and personal protective equipment to support the Victorian Government's commitment to creating and retaining local jobs and supporting local small to medium enterprises	Complete
Develop an approach to harmonise goods, services and construction policy and practice	In progress
Evaluate the success and lessons learned from implementing the Supplier Code of Conduct to drive future strategy development	In progress
Create a strategy to develop alternative paths to market that promote innovation and best industry practice	Starts 2018–19

**TABLE 1: SUMMARY OF VGPB WORKSTREAM PROJECTS AND INITIATIVES IN 2017–18 (CONT.)**

Project	Status
<b>Workstream 4: Procurement technology</b> Previously Strategic Priority 3: Engage with suppliers and the market to improve doing business with the Victorian public sector	
Develop a Victorian Government e-procurement strategy to increase efficiency, streamline process and boost procurement capacity across the public service	In progress
Work with the Department of Premier and Cabinet to deliver an interface for supplier registration to be streamlined through one portal and create an integrated supplier and buyer website	In progress
<b>Workstream 5: Capability and streamlining processes, practices and leading change management</b> Previously Strategic Priority 2: Develop and implement a procurement capability strategy across people, processes and systems	
Hold three procurement community of practice forums each year for public sector buyers to share procurement knowledge and skills	Complete
Identify common and significant capability gaps across the Victorian Government and prioritise opportunities to strengthen buyer capability	Complete
Revise the Victorian Government capability strategy to incorporate the VGPB's new strategic direction	In progress

Note: Strategic Priority 5 (measure the benefits of the VGPB's procurement framework) refers to results from the VGPB's rolling audit program and performance measures, which are reported later in this report. It is not covered under the five new workstreams.

## VALUE FOR MONEY TAKES INTO ACCOUNT

- the total benefits and costs over the life of the goods, services or works procured;
- environmental, social and economic factors; and
- any risk related to the procurement.

## Workstream 1: Victoria's Social Procurement Framework and reporting

The Minister for Finance and the Minister for Industry and Employment launched Victoria's Social Procurement Framework (the framework) on 26 April 2018.

The framework applies to procurement of goods, services and construction from 1 September 2018 across entities subject to the Standing Directions of the Minister for Finance 2016.

It encourages and supports organisations to use their buying power to generate social benefits above and beyond the value of the goods, services or construction being procured.

Our procurement framework prioritises achieving value for money, but this does not necessarily mean buying the cheapest option available.

The framework recognises that value-for-money considerations are not solely focused on price. It clearly defines social and sustainable outcomes as a key value-for-money component and recognises how these outcomes can make a difference to our communities.

The framework affects both buyers and suppliers and our current focus is to support both groups to prepare for these changes.

The VGPB is overseeing development and implementation of the social procurement framework. The implementation plan is being jointly developed by the Department of Treasury and Finance and the Department of Economic Development, Jobs, Transport and Resources.

Playing to the strengths of each department, Treasury and Finance is responsible for implementation on the buyer side and the Department of Economic Development, Jobs, Transport and Resources is leading industry engagement and supplier integration.

We have started updating our buyer guidance material to reflect the framework, to ensure a seamless transition.

Visit [buyingfor.vic.gov.au/social-procurement-framework](http://buyingfor.vic.gov.au/social-procurement-framework) for more information.

## **WORKING WITH THE BIG ISSUE FOR A SOCIAL RETURN ON INVESTMENT**

The Department of Justice and Regulation recently needed to distribute a mailout, including packing and posting materials, with about 23 600 pages to be posted. The Department chose to procure this mailout through The Big Issue Women's Subscription Enterprise, creating job opportunities for 29 women who worked shifts totalling more than 144 hours.

More than 46 000 Australian women are homeless every night without safe or secure housing. The largest single cause of homelessness in Australia is domestic violence, which overwhelmingly affects women and children. The Women's Subscription Enterprise gives these women financial empowerment and hope for a brighter future.

Through the sale of subscriptions to The Big Issue magazine, the Women's Subscription Enterprise provides work, training and pathway opportunities for homeless women. Disadvantaged women are employed as dispatch assistants in a safe, secure, female-only environment to collate, sort and insert the magazines for distribution each fortnight.

Revenue is then directed into the pockets of marginalised women through the provision of wages, training, mentoring and support. Increasingly, companies are outsourcing work to The Big Issue Women's Subscription Enterprise (such as mail fulfilment, data entry, event set-ups, pick and pack work).

This work gives the women an opportunity to learn new skills and gain additional income. When women are financially empowered, they have access to more choices.

## GETTING VALUE FOR MONEY WITH THE VGPB APPROACH

In 2017–18, the procurement team at the Department of Education and Training was approached by one of its agencies – a non-VGPB mandated entity – to lead a significant end-to-end procurement activity for compliance services.

The Department ran a two-stage process, first issuing a public Expression of Interest (EOI) to encourage responses from a range of different supply markets and to gather information from EOI responses to refine the future operating model.

To evaluate value for money, the Department asked for full visibility of cost models, with hourly rates and effort, and also the costs used to make up the hourly rate as well as profit margin. The Department used this data to assess effort and rates to undertake specific tasks, removing unrelated costs such as marketing, legal and office relocation expenses that had been incorporated into the rates.

The Department identified a preferred supplier and continued to negotiate, requesting a Best and Final Offer, which achieved a 13 per cent saving.

## Workstream 2: Governance, extending the reach

*Previously Strategic Priority 4: Broaden the VGPB's impact on Victorian public sector procurement*

Under this workstream, we will bring many more organisations under our umbrella – moving from 32 to about 300 entities. This will make government procurement more consistent and less complex for buyers and suppliers.

Currently, larger organisations can go through a formal process to become accredited to operate under the VGPB. Smaller organisations can still apply VGPB policies – and we encourage them to align – without being formally accredited or needing to report directly to the VGPB.

This was a good way for us to oversee larger organisations and those with a more complex procurement profile, without adding an unnecessary administrative burden to smaller organisations with a low-risk, low-spend, transactional (low complexity) procurement profile.

We have now started developing a scalable approach to governance and monitoring across numerous entities, taking into consideration entity size, spend and risk profile.

CenITex was accredited on 1 July 2017 to operate under VGPB supply policies and is now included in this annual report. CenITex is the last organisation to be accredited under the current model.

We are still working with WorkSafe and the Transport Accident Commission, but they will transition under our new strategy.

At the end of each financial year, accredited organisations submit an annual supply report to the VGPB, detailing their procurement activity and compliance with VGPB policies for that year.

With the potential influx of new organisations, we will look at how we report procurement data in our annual report and review the annual supply report to ensure we minimise the administrative burden on organisations.

## Workstream 3: Policy and practice

*Previously Strategic Priority 1: Embed and enhance VGPB supply policies*

### Aligning and harmonising goods and services and construction procurement

The Victorian Government currently has two separate policy frameworks for procuring goods and services and for buying construction works and services. This creates a fragmented procurement landscape with unnecessary confusion and complexity for buyers and suppliers.

We are currently working with the Department of Treasury and Finance's construction policy team to harmonise and – where appropriate – standardise procurement process and administration. Our current focus is to streamline and integrate procurement processes from the supplier perspective to simplify working with government.

### Implementing the Supplier Code of Conduct

In September 2017, we published new contract templates incorporating the Supplier Code of Conduct and legislative changes. These standard template clauses can be used for goods and services, giving buyers and suppliers a more consistent approach.

The Supplier Code of Conduct was published at the end of 2016–17. It applies to goods, services and construction works and services across the general government. The Code sets out minimum standards for suppliers in ethical, sustainable and socially responsible procurement when working with government.

We are now evaluating the success of implementing the Code to help us assess what future enhancements can be made to ensure suppliers continue to maintain high ethical standards when working with, or on behalf of, the Government.

Visit [procurement.vic.gov.au/Suppliers/Supplier-Code-of-Conduct](http://procurement.vic.gov.au/Suppliers/Supplier-Code-of-Conduct) for more information.

### Alternative procurement paths

Procurement, like most business activities, is continually evolving. We want government buyers to be able to access best procurement practice.

To achieve this, next year we will develop new guides setting out improved procurement methods, such as pre-commercial procurement, simple auctions, economic design and more effective pre-tender market engagement.

We will also continue to improve our existing guides by simplifying processes and developing buyer capability to drive better procurement practice.

Embedding good procurement practice is at the core of everything we do.

### Purchasing ethically and locally-produced uniforms and personal protective equipment

Government is one of the biggest spending sectors in the Victorian economy. When we buy locally, we create jobs and support local industries, which delivers significant benefit for the long-term success of our state.

In 2017–18, we developed a guide to procuring uniforms and personal protective equipment (PPE). All Victorian Government departments and agencies are now required to buy locally manufactured uniforms and PPE, wherever possible. The guide:

- supports the Victorian Government's commitment to creating and retaining local jobs in the local manufacture of uniforms and PPE;
- supports local small to medium enterprises;
- provides advice on procuring from the local textiles, clothing and footwear sector; and
- advises on ethical labour and environmental considerations.

## PROCUREMENT GOES GREEN AT PUBLIC TRANSPORT VICTORIA

Public Transport Victoria is reducing its environmental footprint and has pledged to follow a three-year roadmap to align its procurement function with ISO 20400 Sustainable Procurement Standard.

Staff will soon be able to dispose of food waste in units designed to dehydrate food waste into a small amount of dry powder, which can be used to fertilise plants. Keeping food waste out of red and yellow bins reduces greenhouse gas emissions from waste disposal.

This is one of many actions Public Transport Victoria will take on its sustainable procurement journey. It has partnered with Good Environmental Choice Australia (GECA), a market leader in environmental certification, to help it align with the sustainable procurement standard.

## Workstream 4: Procurement technology

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

Construction and non-construction goods and services have their own websites. Creating one integrated website for buyers and suppliers is an important step towards harmonising these two streams.

The Department of Treasury and Finance is leading the reform of government procurement technology and practice, which is overseen by the VGPB. The strategy for the long-term solution is in the early planning stages and will eventually provide a roadmap to deliver the following components:

- a Buying for Victoria website (being developed by the Department of Premier and Cabinet); and
- an integrated procurement solution that includes a supplier registration portal.

The website will be delivered first and is expected to be released in 2018.

### LOOKING FOR THE SAVINGS WITH E-PROCUREMENT AND CATEGORY MANAGEMENT

The Department of Environment, Land, Water and Planning's spend on contingent labour has historically been more than \$25 million a year. The Department is currently finalising the build and implementation of a vendor management system, which – combined with a new category management approach – could potentially save up to 15 per cent a year. The Department is currently budgeting for a more conservative saving of around \$2 million a year.

Having the right systems and processes in place will improve visibility and ensure contingent labour is managed more efficiently through stronger levels of governance and improved reporting and supplier relationship management.

## Workstream 5: Capability and streamlining processes, practices and leading change management

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

In the past year, we started work on a government buyer capability strategy, which sits across all five workstreams to ensure we can successfully implement the changes under each stream.

Together with CPOs, we had previously started work on a capability program designed to increase the skills and expertise of government procurement professionals and forge a career path for these professionals, to give us a flexible, capable government procurement workforce. This strategy was informed by the capability gap analysis completed last year.

This draft capability program will now be revised with new activities and projects to uplift individual and organisational procurement capability across people, processes and systems, to support the five workstreams. Capability uplift and change is a key enabler for the success of each workstream.

The intent of this program is to develop an agile, resourceful, adept and versatile approach to government procurement delivering the best value-for-money outcomes.

To support this, we hosted three community of practice procurement forums for general government sector buyers. These forums give buyers the chance to grow their procurement network and share ideas on procurement policy and practice.

Topics covered during the year included introducing the Supplier Code of Conduct, social procurement and how buyers can make small changes to procurement processes to generate a positive impact. We also had a lengthy panel discussion on the importance of probity, where we worked through some case studies.

### WHAT'S NEW IN THIS ANNUAL REPORT?

We made the following changes to this annual report:

- Our year in review now aligns to the five new workstreams instead of the five strategic priorities as we adjusted our direction to meet the needs of our buyers and suppliers.
- CenITex is now reporting directly to the VGPB. Their procurement profile and procurement data are included in this report.



# ABOUT THE VGPB

## WHO WE ARE

We are a Victorian Government-owned body corporate established under the *Financial Management Act 1994*. We set the policies that govern procurement of non-construction goods and services across all Victorian Government departments and some public bodies.

## OUR ROLE

We:

- develop, implement and review supply policies and practices;
- monitor compliance with supply policies;
- help organisations build procurement capability;
- provide oversight of major strategic procurements; and
- work with stakeholders to make procurement more efficient.

## OUR VISION

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

## OUR MISSION

To ensure government:

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

## SCOPE OF OUR POLICIES

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

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

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

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

## REPORTING

We report to the Minister for Finance. We are supported by our secretariat in the Department of Treasury and Finance.

Departments and accredited specified entities report directly to us on their procurement activities, as shown in Figure 2.



## BOARD MEMBERS

Our Board has a chairperson and a minimum of six other members. Board members are selected based on experience and expertise in procurement-related matters. They can be internal or external to government.

At 30 June 2018, the VGPB had seven members including the Chair. Five members were external appointees and two appointees were from the Victorian Government (see Table 2).

The VGPB had two member appointments conclude in 2017–18:

- (Dr) Lynne Williams (Chair) on 9 October 2017; and
- Marissa De Cicco on 30 June 2018.

Existing VGPB member, Antoinette Brandi, took over as Chair and a new member, Claire Thomas, has been appointed to start on 1 July 2018.

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

**TABLE 2: VGPB MEMBERS AT 30 JUNE 2018**

<b>Title</b>	<b>Name</b>	<b>Experience</b>	<b>Meetings attended</b>	<b>Appointed</b>
Chair	Antoinette Brandi	<ul style="list-style-type: none"> <li>• More than 25 years' procurement experience in the public and private sectors.</li> <li>• Many different operational management roles.</li> <li>• Delivered procurement projects and initiatives across goods and services, mining and construction, including developing procurement supply chain strategies and risk management assurance processes.</li> <li>• First female in Australia to gain fellow status in the Chartered Institute of Procurement &amp; Supply.</li> </ul>	6 of 6	10 October 2015
External appointees	Randall Straw	<ul style="list-style-type: none"> <li>• More than 31 years' experience in government ICT.</li> <li>• Extensive background in technology innovation, policy, planning and implementation with Victorian public sector agencies.</li> <li>• Former Deputy Secretary of Innovation and Technology at the former Department of Business and Innovation.</li> <li>• Current Chair of CenITex, Independent Member of the Department of Economic Development, Jobs, Transport and Resources' Investment Committee, Member of VicTrack Telecommunications Committee and Member of the Emergency Services Telecommunications Authority ICT Committee.</li> <li>• Awarded the Public Service Medal in 2012.</li> </ul>	5 of 6	1 October 2009
	Craig Rooney	<ul style="list-style-type: none"> <li>• More than 25 years' procurement experience in public, private and consulting environments.</li> <li>• Demonstrated success in strong business management, financial management, strategic thinking, customer focus and people leadership skills.</li> <li>• Currently the Victorian Operations Manager for Metricon Homes.</li> <li>• Previously held senior procurement management positions at Porter Davis Homes, CSR Sugar, Madison Cross Corporate Advisory and Coles Group.</li> </ul>	5 of 6	1 October 2012

**TABLE 2: VGPB MEMBERS AT 30 JUNE 2018 (CONT.)**

Title	Name	Experience	Meetings attended	Appointed
External appointees (cont.)	Russell Yardley	<ul style="list-style-type: none"> <li>• Successful entrepreneur and business owner.</li> <li>• Strong governance skills and experienced board member.</li> <li>• Career focused on innovation, ideas strategy, business and planning, particularly in the ICT industry.</li> </ul>	4 of 6	1 July 2014
	Timothy Lyons	<ul style="list-style-type: none"> <li>• Extensive experience in government procurement policy and previous member of numerous public and private boards.</li> <li>• Held many directorships and has expertise in industrial relations, financial services, public policy, governance and risk management, not-for-profit management and communications advocacy.</li> </ul>	5 of 6	10 October 2015
Government appointees	Marisa De Cicco	<ul style="list-style-type: none"> <li>• Acting Deputy Secretary, Emergency Management at the Department of Justice and Regulation and Acting Chief Executive, Emergency Management Victoria.</li> <li>• Experience in policy advice and development, formulating strategy and legislation, procurement and contracting.</li> </ul>	6 of 6	1 October 2003
	Leanne Price	<ul style="list-style-type: none"> <li>• More than 20 years' government procurement experience in the construction sector.</li> <li>• Twelve-year career with the Department of Health and Human Services, responsible for planning, developing and implementing the health capital program, including oversight of the largest public hospital developments in Victoria's history.</li> <li>• Significant public transport experience, including developing Southern Cross Station.</li> </ul>	4 of 6	1 July 2016

## ANNUAL ASSESSMENT

To continually improve, we assess our performance annually. The 2017–18 assessment continues to show that the VGPB is focused on fulfilling its legislative functions.

We have revised our five-year strategic plan to reflect our new focus and have adjusted our strategic priorities to align with our five new workstreams. The VGPB supports this new direction, which has enabled greater engagement with Board members and chief procurement officers working together to drive strategic change.

We acknowledge that 2017–18 was a productive year, which has been supported by our extensive commercial and government procurement experience. This has enabled us to provide leadership, advice and advocacy for best practice in procurement. This has been evident in the work undertaken by the VGPB throughout the year as the Board has been at the core of many procurement discussions.

# PROCURING GOODS AND SERVICES

**We see procurement as a core business function. Good procurement ensures government uses public money responsibly; procuring the required goods and services at the right price to deliver value-for-money outcomes.**

**The VGPB's procurement model is based on assessing complexity and risk. Each organisation adopts a procurement governance framework scaled to their procurement profile and must have enough capability to carry out their procurements.**

**Our five policies cover the whole procurement lifecycle. They are underpinned by probity, accountability and flexibility, with a strong focus on value for money, more interactive engagement with the market and improving productivity.**

**Each policy is supported by good practice guides, tools and templates to ensure consistency across government. Figure 3 shows how the five policies, the four principles and the end-to-end procurement process fits together.**

**FIGURE 3: VGPB SUPPLY POLICIES, PROCUREMENT LIFECYCLE AND PRINCIPLES**

## VGPB SUPPLY POLICIES

P1: GOVERNANCE

P2: COMPLEXITY AND CAPABILITY ASSESSMENT

P3: MARKET ANALYSIS AND REVIEW

P4: MARKET APPROACH

P5: CONTRACT MANAGEMENT AND CONTRACT DISCLOSURE

## PROCUREMENT LIFECYCLE

1. Review procurement need

2. Conduct market analysis

3. Develop market approach plan

4. Evaluate, negotiate and select supplier

5. Create and commit to contract

6. Manage contract

7. Review or close contract

8. Dispose of assets

## VGPB PROCUREMENT PRINCIPLES

The **value for money** of the procurement taking into account:

- (i) the total benefits and costs over the life of the goods, services or works procured;
- (ii) environmental, social and economic factors; and
- (iii) any risk related to the procurement.

**Accountability** for procurement commensurate with appropriate levels of authority and responsibility.

**Probity** through the application of integrity, ethical behaviour, fairness and transparency in the conduct of procurement processes.

**Scalability** so that the procurement governance policies and processes are appropriate and efficient, taking into account the capability of available resources and the complexity of the procurement undertaken.

## A LOOK INSIDE PROCUREMENT – A MATURE CENTRE-LED MODEL

The Department of Health and Human Services successfully operates a mature, centre-led Procurement Services team, led by the Department's chief procurement officer. The team processed more than 1 400 jobs of varying complexity in 2017–18. The team's strength comes from the Department's commitment to complying with VGPB policies, supported by the Secretary and executive board down. The team consists of three units:

- Strategy and Policy to provide governance and manage the Procurement Committee;
- Procurement Operations to support most non-ICT goods and services procurement and contract management activities; and
- Systems and Service Improvement to support most of the Department's ICT procurement, as well as managing all back-of-house administrative support to 'keep the team going'.

The end result is a highly coordinated central operation that is committed to customer service, drives compliance, best practice and value-for-money outcomes, and is able to support the Department's myriad business units located throughout Victoria.

In 2017–18, the team worked with some 3 000 staff throughout the year, ranging from administrative staff and project managers to financial delegates, including Deputy Secretaries and the offices of the Department's Minister and Secretary.

Another advantage of the centre-led team in 2017–18 was its capacity to ramp up support for parts of the Department impacted by machinery-of-government change. The team was able to support the efficient set-up and transition-in of three new administrative offices, while also ensuring that new staff and areas coming into the department were able to integrate their procurement and contract management expectations and requirements into the Department's operations in a compliant manner with minimal delay or stress.

## ABOUT THE DATA IN THIS REPORT

In 2017–18, 11 organisations reported directly to the VGPB with their procurement data: the seven government departments, CenITex, Public Transport Victoria, VicRoads and Victoria Police.

At the end of each financial year, these organisations report on their procurement contract approvals and performance. Contract approvals are for goods and services valued at \$100 000 or more (including GST). It does not include any construction procurement.

Organisations report on the total estimated value of approved contracts. Contracts can extend over several years, so values in this report reflect total contract value rather than actual annual spend.

Contract values also include any options to extend the contract.

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

### Contract types

Contract types include:

- one-off supply contracts: a single purchase of a specific quantity of goods or services which has been subject to a discrete quotation or tender process;
- sole entity purchase contracts (SEPC): an aggregated arrangement established for one organisation or a business unit/group of business units within an organisation. SEPCs are mandatory for the organisation establishing the arrangement; and
- state purchase contracts (SPC): an aggregated arrangement for the purchase of goods and services for use by mandated Victorian Government departments and agencies. Other agencies can access the SPC if they agree to the rules of use.

**Aggregated purchasing** is grouping together demand for commonly purchased goods and services to make the most of greater economies of scale when procuring from the marketplace.

## SUMMARY OF CONTRACT APPROVALS

In 2017–18, organisations reported 1 197 procurement contract approvals valued at \$3 011 million, as shown in Table 3.

**TABLE 3: TOTAL NUMBER AND VALUE OF CONTRACT APPROVALS IN 2017–18 BY GOODS AND SERVICES**

	One-off supplies		SEPCs		SPCs		Totals	
	Number	Value (\$M)	Number	Value (\$M)	Number	Value (\$M)	Number	Value (\$M)
Goods	178	362.8	16	19.3	3	255.1	197	637.2
Services	974	1 153.0	20	234.9	6	986.1	1 000	2 374.0
<b>Totals</b>	<b>1 152</b>	<b>1 515.8</b>	<b>36</b>	<b>254.2</b>	<b>9</b>	<b>1 241.2</b>	<b>1 197</b>	<b>3 011.2</b>

Most contract approvals were for one-off supplies (96 per cent), followed by SEPCs (3 per cent) and SPCs (1 per cent). In terms of value, one-off supplies were equivalent to 50 per cent of the total value of approved contracts, followed by SPCs at 41 per cent and SEPCs at 9 per cent.

The difference in proportions between numbers and values is because SPCs generally have higher estimated contract values and span multiple years. For example, in 2017–18, the Department of Treasury and Finance had four high-value SPCs approved with a total contract value of \$1 236 million. The estimated annual spend for these four SPCs is \$462 million, but the total estimated contract value takes into account the length of the contract as well as any options to extend (see *Table 15: SPCs approved in 2017–18* for a breakdown of SPCs reported in 2017–18).

Most procurement contract approvals were for services (84 per cent).

### REPORTING MULTI-YEAR CONTRACTS

In 2017–18, the Department of Treasury and Finance renegotiated the Security Services SPC. The estimated annual value for this contract is \$47.2 million. The contract term is three years with two further one-year options to extend. The total estimated approved contract value is reported to the VGPB as \$236 million, equivalent to five years of potential spend under this contract. Actual spend may look quite different and will be spread over a three to five-year period.

## Trends in contract approvals

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

**TABLE 4: TRENDS IN ONE-OFF SUPPLY, SEPC AND SPC CONTRACT APPROVALS FROM 2014–15 TO 2017–18**

	2014–15		2015–16		2016–17		2017–18	
	Number	Value (\$M)	Number	Value (\$M)	Number	Value (\$M)	Number	Value (\$M)
One-off supplies	630	692.3	743	915.5	952	1 137.7	1 152	1 515.8
SEPCs	37	270.9	37	778.8	45	537.2	36	254.2
SPCs	6	658.6	10	720.6	8	408.8	9	1 241.2
<b>Totals</b>	<b>673</b>	<b>1 621.9</b>	<b>790</b>	<b>2 414.9</b>	<b>1 005</b>	<b>2 083.8</b>	<b>1 197</b>	<b>3 011.2</b>

Note: The increase in one-off supply approvals in 2017–18 compared to previous years can be partly attributed to the increase in organisations reporting to the VGPB, better data capture and yearly variations in SEPC and SPC contract approvals.

The number and value of contract approvals has shown an upward trend over the past four years.

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

As can be seen from Table 4, the total value of SEPCs is lower than the past two years, whereas the value of SPCs is much higher than previous years.

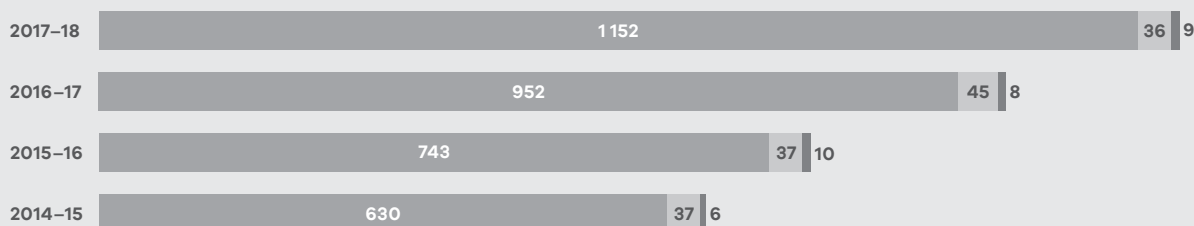
This is due to the four high-value SPCs refreshed or re-established by the Department of Treasury and Finance in 2017–18, as mentioned previously and listed in Table 15.

The number and value of SEPC and SPC approvals will also vary from year to year based on the specific procurement projects that need to be carried out in any given year, and/or the expiry and need for renewal of SEPCs and SPCs. SEPCs and SPCs may run over multiple years and the value reported here is the total estimated value over the life of the contract, not just for one year.

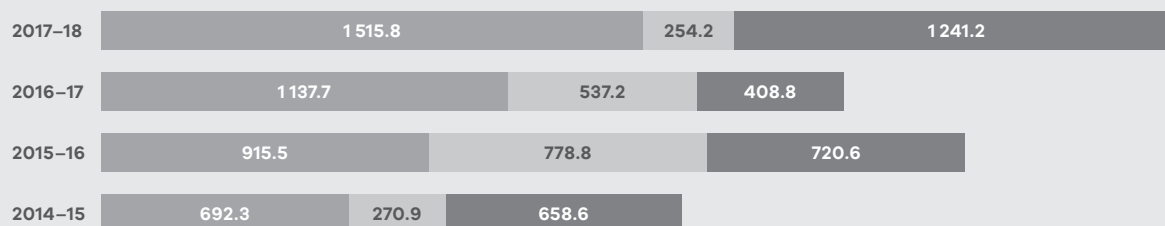
## TRENDS AT A GLANCE

**FIGURE 4: TRENDS IN NUMBER AND VALUE OF CONTRACT APPROVALS FROM 2014–15 TO 2017–18**

### Number of contract approvals



### Value of contract approvals (\$ million)



■ One-off supplies ■ SEPCs ■ SPCs



## ONE-OFF SUPPLY CONTRACTS

In 2017–18, organisations reported 1 152 one-off supply contract approvals valued at \$1 516 million. Overall, 15.5 per cent of one-off supply approvals were for procurement of goods and 84.5 per cent for services.

This compares to 952 one-off supply contract approvals in 2016–17 valued at \$1 138 million.

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

**TABLE 5: ONE-OFF SUPPLY CONTRACT APPROVALS BY ORGANISATION AND BY GOODS AND SERVICES IN 2017–18**

Organisation	Goods		Services	
	Number	Value (\$M)	Number	Value (\$M)
Department of Economic Development, Jobs, Transport and Resources	92	120.4	144	97.9
Department of Education and Training	4	3.1	195	273.0
Department of Environment, Land, Water and Planning	5	1.7	116	125.8
Department of Health and Human Services	16	15.7	135	212.8
Department of Justice and Regulation	35	14.5	55	149.5
Department of Premier and Cabinet	2	0.3	93	41.5
Department of Treasury and Finance	5	1.5	30	89.1
CenITex	3	1.3	19	13.3
Public Transport Victoria	0	0	6	5.2
VicRoads	10	4.1	173	135.5
Victoria Police	6	200.2	8	9.5
<b>Totals</b>	<b>178</b>	<b>362.8</b>	<b>974</b>	<b>1 153.0</b>

## PROCUREMENT COMPLEXITY

Procurement complexity refers to the level of difficulty involved in procuring a good or service. An assessment of complexity considers factors such as risk, total cost of ownership and market dynamics.

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

### Overview of complexity

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

Table 7 shows the complexity assessment results for the reported contracts approved in 2017–18.

### Number of procurement approvals by complexity quadrant

Most procurement approvals were assessed as transactional – 48 per cent – followed by leveraged at 26 per cent. Strategic was 14 per cent and focused 11 per cent (see Figure 5).

This compares with 46 per cent transactional, 24 per cent leveraged, 17 per cent strategic and 12 per cent focused in 2016–17.

### Number of complexity quadrants by organisation

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

**TABLE 6: DESCRIPTION OF COMPLEXITY QUADRANTS**

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

**TABLE 7: CONTRACT APPROVALS BY COMPLEXITY QUADRANT IN 2017–18**

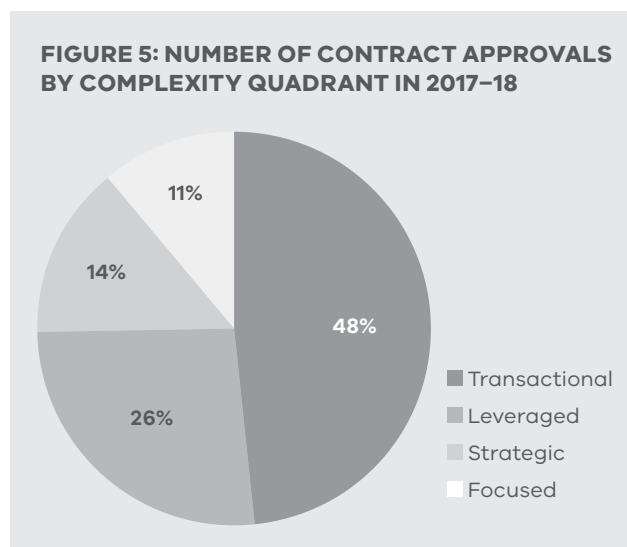
Complexity quadrant	Number	Value (\$M)	Average value per contract (\$M)
Transactional	578	674.9	1.2
Leveraged	316	528.2	1.7
Focused	132	700.7	5.3
Strategic	171	1 107.5	6.5
<b>Totals</b>	<b>1 197</b>	<b>3 011.2</b>	<b>2.5</b>

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

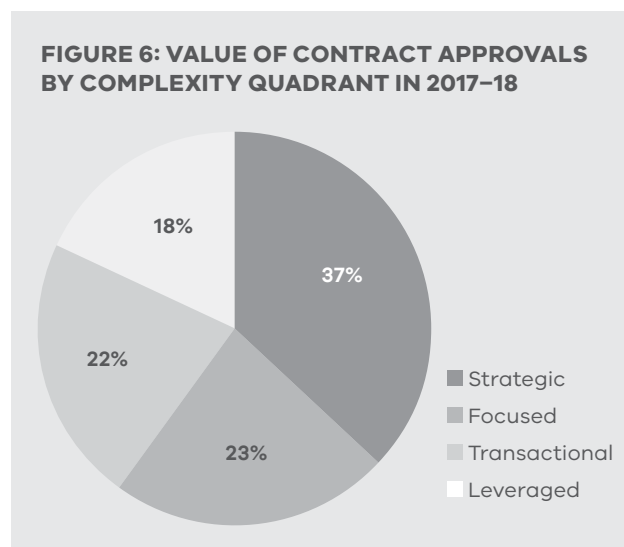
**TABLE 8: COMPLEXITY QUADRANTS (NUMBER) BY ORGANISATION IN 2017–18**

Organisation	Transactional	Leveraged	Focused	Strategic	Totals
Department of Economic Development, Jobs, Transport and Resources	140	18	60	19	237
Department of Education and Training	108	80	10	1	199
Department of Environment, Land, Water and Planning	92	3	24	16	135
Department of Health and Human Services	6	27	3	119	155
Department of Justice and Regulation	41	19	26	4	90
Department of Premier and Cabinet	92	2	1	5	100
Department of Treasury and Finance	32	0	4	3	39
CenITex	13	9	0	0	22
Public Transport Victoria	2	1	1	2	6
VicRoads	28	155	0	0	183
Victoria Police	24	2	3	2	31
<b>Totals</b>	<b>578</b>	<b>316</b>	<b>132</b>	<b>171</b>	<b>1197</b>

**FIGURE 5: NUMBER OF CONTRACT APPROVALS BY COMPLEXITY QUADRANT IN 2017–18**



**FIGURE 6: VALUE OF CONTRACT APPROVALS BY COMPLEXITY QUADRANT IN 2017–18**



### Value of procurement approvals by complexity quadrant

In 2017–18, the strategic quadrant had the highest total value of the four complexity quadrants at 37 per cent. This is a decrease from 2016–17, where strategic was also the highest value quadrant but with 57 per cent of the total value.

Focused was second highest at 23 per cent, compared to 6 per cent in 2016–17. Transactional was next at 22 compared to 12 per cent in 2016–17. Leveraged was the lowest at 18 per cent, compared to 25 per cent in 2016–17.

The increase in the transactional and leveraged quadrant can be linked to three of the four high-value SPCs reported by the Department of Treasury and Finance (see Table 15). The SPC for Professional Advisory Services was assessed as transactional and was valued at \$288 million over four years (including a one-year option to extend). The Motor Vehicles SPC (valued at \$250 million a year) and Security Services SPC (valued at \$236 million over five years including two one-year options to extend) were both assessed as focused.

Figure 6 shows the breakdown in complexity quadrants by value in 2017–18.

## Trends in procurement complexity

Table 9 and Figure 7 compare value and number of complexity quadrants in 2017–18 with the two previous years. Although departments began reporting complexity data in 2014–15, some departments did not report complexity data for the entire year. For this reason, 2014–15 is not included in the trend data.

**TABLE 9: TRENDS IN PROCUREMENT COMPLEXITY**

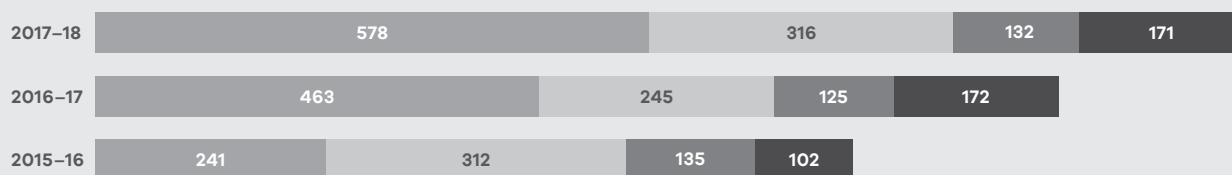
Complexity quadrant	2015–16		2016–17		2017–18	
	Number	Value (\$M)	Number	Value (\$M)	Number	Value (\$M)
Transactional	241	275.2	463	246.2	578	674.9
Leveraged	312	1 164.9	245	530.9	316	528.2
Focused	135	126.8	125	119.8	132	700.7
Strategic	102	848.0	172	1 186.8	171	1 107.5
<b>Totals</b>	<b>790</b>	<b>2 414.9</b>	<b>1 005</b>	<b>2 083.8</b>	<b>1 197</b>	<b>3 011.2</b>

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

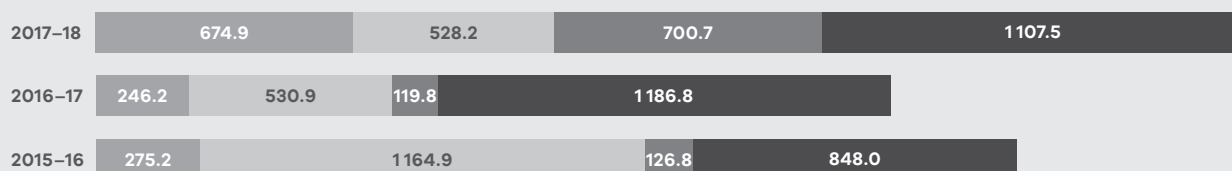
## Complexity trends at a glance

**FIGURE 7: TRENDS IN NUMBER AND VALUE OF PROCUREMENT COMPLEXITY FROM 2015–16 TO 2017–18**

### Contract approvals by complexity quadrant (number)



### Contract approvals by complexity quadrant (value \$ million)



■ Transactional   ■ Leveraged   ■ Focused   ■ Strategic

## Trends by department

Tables 10 to 13 show how the number of procurements in each complexity quadrant have changed for each organisation over the past three years. VicRoads began operating under VGPB policies on 1 July 2015, Public Transport Victoria on 1 January 2017 and CenITex on 1 July 2017, so did not provide data before these dates.

**TABLE 10: TRENDS IN NUMBER OF TRANSACTIONAL PROCUREMENTS BY ORGANISATION**

Organisation	2015–16	2016–17	2017–18
Department of Economic Development, Jobs, Transport and Resources	30	150	140
Department of Education and Training	7	50	108
Department of Environment, Land, Water and Planning	75	81	92
Department of Health and Human Services	3	4	6
Department of Justice and Regulation	18	26	41
Department of Premier and Cabinet	27	80	92
Department of Treasury and Finance	25	28	32
CenITex	n/a	n/a	13
Public Transport Victoria	n/a	3	2
VicRoads	20	12	28
Victoria Police	36	29	24
<b>Totals</b>	<b>241</b>	<b>463</b>	<b>578</b>

**TABLE 11: TRENDS IN NUMBER OF LEVERAGED PROCUREMENTS BY ORGANISATION**

Organisation	2015–16	2016–17	2017–18
Department of Economic Development, Jobs, Transport and Resources	1	28	18
Department of Education and Training	217	118	80
Department of Environment, Land, Water and Planning	5	0	3
Department of Health and Human Services	10	27	27
Department of Justice and Regulation	15	23	19
Department of Premier and Cabinet	4	3	2
Department of Treasury and Finance	1	1	0
CenITex	n/a	n/a	9
Public Transport Victoria	n/a	1	1
VicRoads	57	42	155
Victoria Police	2	2	2
<b>Totals</b>	<b>312</b>	<b>245</b>	<b>316</b>

**TABLE 12: TRENDS IN NUMBER OF FOCUSED PROCUREMENTS BY ORGANISATION**

Organisation	2015–16	2016–17	2017–18
Department of Economic Development, Jobs, Transport and Resources	40	34	60
Department of Education and Training	30	14	10
Department of Environment, Land, Water and Planning	28	24	24
Department of Health and Human Services	2	1	3
Department of Justice and Regulation	24	36	26
Department of Premier and Cabinet	1	2	1
Department of Treasury and Finance	0	0	4
CenITex	n/a	n/a	0
Public Transport Victoria	n/a	4	1
VicRoads	0	0	0
Victoria Police	10	10	3
<b>Totals</b>	<b>135</b>	<b>125</b>	<b>132</b>

**TABLE 13: TRENDS IN NUMBER OF STRATEGIC PROCUREMENTS BY ORGANISATION**

Organisation	2015–16	2016–17	2017–18
Department of Economic Development, Jobs, Transport and Resources	3	22	19
Department of Education and Training	0	7	1
Department of Environment, Land, Water and Planning	6	14	16
Department of Health and Human Services	83	109	119
Department of Justice and Regulation	6	2	4
Department of Premier and Cabinet	0	5	5
Department of Treasury and Finance	4	0	3
CenITex	n/a	n/a	0
Public Transport Victoria	n/a	8	2
VicRoads	0	0	0
Victoria Police	0	5	2
<b>Totals</b>	<b>102</b>	<b>172</b>	<b>171</b>

## CRITICAL INCIDENT PROCUREMENT

The market approach policy has an alternative procurement process to follow during a critical incident and any subsequent relief effort. It allows for urgent procurement needs, while ensuring the procurement process adopted is reasonable and conducted with appropriate consideration of good practice procurement principles.

One organisation reported two critical incident procurements in 2017–18 as shown in Table 14. Three incidents were reported in 2016–17, valued at \$5.7 million.

**TABLE 14: CRITICAL INCIDENT PROCUREMENT IN 2017–18**

	Number	Value (\$M)
Goods	..	..
Services	2	0.14
<b>Total</b>	<b>2</b>	<b>0.14</b>

The two critical incidents were reported by Public Transport Victoria.

# HARNESSING THE BUYING POWER OF GOVERNMENT

**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 and reduces the administrative burden on buyers and suppliers.**

**The Victorian Government has 34 state purchase contracts (SPCs) for commonly purchased goods and services under 22 spend categories, as shown in Figure 8.**

**More than 200 organisations benefit from the time and cost savings offered by SPCs. Total annual spend under SPCs is estimated to be about \$1.5 billion (not including the Legal Services SPC and Energy Performance Contracting).**

## WHO CAN ACCESS SPCS?

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

Other organisations that can access SPCs include local and federal government organisations and not-for-profit organisations.

## WHO MANAGES SPCS?

The Department of Treasury and Finance manages almost all non-ICT goods and services SPCs. The only exception is the Legal Services SPC, which is managed by the Department of Justice and Regulation.

The Department of Premier and Cabinet is responsible for ICT SPCs, apart from Rosetta, which is managed by CenITex.

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

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

## LOOKING FOR NEW OPPORTUNITIES

In 2017–18, the VGPB continued to build on its role to help organisations identify new opportunities for aggregation. Multicultural Affairs in the Department of Premier and Cabinet has been working closely with the Strategic Sourcing Group in the Department of Treasury and Finance on a joint initiative to develop a language services SPC (translating and interpreting services). The language services SPC will aggregate demand for buyers, but more importantly it establishes a minimum standard for engaging providers.

Throughout 2018–19, the VGPB will continue to review quarterly SPC reporting and organisations' forward-looking procurement activity plans, as well as data gathered from annual supply reports. These mechanisms enable the VGPB to continue to support the departments of Treasury and Finance and Premier and Cabinet in identifying additional opportunities for aggregation to drive greater value-for-money outcomes.

## ABOUT THE DATA IN THIS SECTION

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

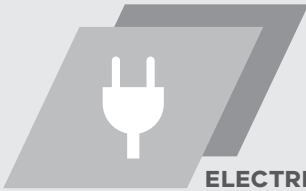
**FIGURE 8: SPC CATEGORIES**



**CASH AND BANKING SERVICES**



**DOCUMENT MAIL EXCHANGE**



**ELECTRICITY**



**ENERGY PERFORMANCE CONTRACTING**



**FLEET DISPOSALS**



**FUEL AND ASSOCIATED PRODUCTS**



**GAS**



**IT - HARDWARE**



**IT - MAJOR IT SERVICES**



**IT - SOFTWARE**



**IT - VOICE, DATA AND INTERNET SERVICES**



**LEGAL SERVICES**





## STATE PURCHASE CONTRACTS

In 2017–18, nine SPCs were approved with an estimated total value of \$1 241 million, as listed in Table 15. This compares to eight SPCs with an estimated total value of \$409 million approved in 2016–17.

**TABLE 15: SPCS APPROVED IN 2017–18**

Organisation	Total number	Title/description	Total estimated value (\$ million)	Contract term (yrs)	Options (yrs)	Complexity assessment outcome	Market approach method	Type of arrangement	No. of suppliers
Department of Premier and Cabinet	5	Data#3 (VMware) reseller agreement	\$0.0 <sup>(a)</sup>	1	-	Strategic	RFT	Open	1
		eServices – Multiparty evaluation module	\$0.0 <sup>(b)</sup>	1	-	Strategic	RFQ	Closed	1
		eServices – Supplier selection search function	\$0.0 <sup>(b)</sup>	1	-	Strategic	RFQ	Closed	1
		Enterprise Licence agreement renewal	\$2.5	1	-	Strategic	RFQ	Open	1
		IBM Enterprise Licence agreement renewal	\$2.6	1	-	Strategic	RFQ	Open	1
Department of Treasury and Finance	4	Security Services	\$236.0	3	2x1	Focused	RFT	Closed	5
		Motor Vehicles	\$250.0	Ongoing		Focused	RFT	Closed	16
		Professional Advisory Services	\$288.0	3	1x1	Transactional	RFT	Open	220+
		Master Agency Media Services	\$462.0	3	2x1	Strategic	RFT	Closed	1
<b>Total</b>	<b>9</b>		<b>\$1 241.2</b>						

RFQ = Request for quotation; RFT = Request for tender

Notes:

<sup>(a)</sup> VMWare global business model requires all licence purchases to be made via an approved reseller.

Data#3 is the Victorian Government's chosen VMWare reseller and acts as an intermediary only, hence no cost reported.

<sup>(b)</sup> These are software add-ons to the existing eServices register valued together at about \$55 000.

## SOLE ENTITY PURCHASE CONTRACTS

Sole entity purchase contracts (SEPCs) are similar to SPCs but apply to one organisation. In 2017–18, four organisations reported 36 SEPC approvals valued at \$254 million, as listed in Table 16.

Roughly half were for goods (44 per cent) and half for services (56 per cent), although the share of the total value of goods was much lower (8 per cent) than services (92 per cent).

This compares to 45 SEPCs approvals in 2016–17 valued at \$537 million, of which 47 per cent were for goods and 53 per cent for services, with goods accounting for 8 per cent of the total value and services for 92 per cent.

A breakdown of SEPC contracts approved in 2017–18 is provided in Table 46 in the Appendix.

**TABLE 16: SEPCS APPROVED IN 2017–18**

Organisation	Goods		Services	
	Number	Value (\$M)	Number	Value (\$M)
Department of Economic Development, Jobs, Transport and Resources	0	0	1	42.3
Department of Environment, Land, Water and Planning	7	5.6	7	18.8
Department of Health and Human Services	1	5.6	3	132.1
Victoria Police	8	8.1	9	41.8
<b>Total</b>	<b>16</b>	<b>19.3</b>	<b>20</b>	<b>234.9</b>

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

## BUYING eSERVICES IN GOVERNMENT

The Department of Premier and Cabinet has continued to improve the eServices (VendorPanel) platform, adding the following functions to the system in 2017–18:

- The supplier selection search function allows buyers to sort suppliers by category, giving them better category matching.
- The multiparty evaluation module allows multiple panel members to participate in evaluating responses.

In 2017–18, 678 ICT requests were sent out to the market, and the number of registered suppliers increased from 700 to 1 000.

## ACCESSING SAVINGS THROUGH SPCS

VicRoads has been operating under the VGPB since 1 July 2015 and has taken full advantage of the savings and benefits offered by SPCs.

In 2017–18, VicRoads began using the new TPAMS 2025 SPC to achieve significant savings in operational costs – roughly \$1.4 million in 2017–18 and estimated savings of \$2.4 million for 2018–19. TPAMS provides telecommunication services, including data, voice, mobile, internet and unified communications. Other benefits include being aligned with other government agencies and being assured that services are being provided by reputable organisations.

VicRoads has also adopted a ‘valet service’ model with the Stationery SPC provider, which checks and replenishes central stationery stores. The SPC also includes selected products from an Aboriginal-owned business, allowing VicRoads to easily increase its overall stationery spend with an Aboriginal-owned supplier to 4 per cent.

VicRoads also decided to transfer procurement of its motor vehicle fleet from its current self-managed operating lease model to the ‘Finance Lease Facility’ model available under the Motor Vehicles SPC. VicRoads carried out a comprehensive business and finance review, taking into account all the challenges and potential impact of transitioning between the two models. From July 2018, all VicRoads fleet vehicles will be procured through VicFleet.

# MONITORING COMPLIANCE

Under the *Financial Management Act 1994*, mandated organisations must comply with VGPB supply policies when procuring goods and services. The VGPB monitors compliance through six mechanisms as shown in Figure 9 and explained in Table 17.

**TABLE 17: MONITORING COMPLIANCE WITH VGPB POLICIES**

Compliance mechanism	Details
<b>Annual supply report (ASR)</b>	Organisations submit an ASR to the VGPB at the end of each financial year summarising their procurement activity, performance measure results, actions taken to ensure compliance and instances of non-compliance.
<b>Performance measures</b>	Organisations monitor performance against six common performance measures and report results in their ASR.
<b>Audit program</b>	Organisations audit compliance with VGPB policies and submit an audit report to the VGPB every three years.
<b>Engagement</b>	The VGPB's former oversight process is being replaced with a revised engagement model designed to be more efficient. The engagement model is currently being developed and will be rolled out in 2018–19.
<b>Complaints management</b>	Organisations maintain a complaints management system for supplier complaints related to the process and probity applied during a procurement activity. Organisations provide details of complaints in their ASR.
<b>Review of procurement activity plans</b>	Organisations submit procurement activity plans every year for review by the VGPB.

**FIGURE 9: COMPLIANCE MECHANISMS**



## PERFORMANCE MEASURES

Organisations track their procurement performance each year using six performance measures. We are in our third year of reporting and results are listed in Table 18.

In consultation with CPOs, we continue to refine the methodology used to calculate performance measures to increase consistency.

Refer to Table 23 in the next section for a description of how organisations calculate results.

More information on organisational performance, including a comparison with year one and two results, can be found under each of the organisational profiles in the next section.

**TABLE 18: SUMMARY OF PERFORMANCE MEASURE RESULTS IN 2017–18**

Performance measure	DEDJTR	DELWP	DET	DHHS	DJR	DPC	DTF	CenITex	PTV	VicRoads	Victoria Police
1 Value created as a consequence of department procurement activity (%)	5.3	7.5	3.5	0.8	0.4	6.6	24.3	6.9	0.2	5.2	5.4
2 Proportion of the number of transactions at or below \$2 000 through a P-Card or equivalent (%)	44.6	21.0	15.1	16.5	12.7	0 <sup>(a)</sup>	9.8	32.0	19.7	65.7	2.9
3 Increase in procurement capability (%)	3.0	16 <sup>(b)</sup>	2.4	2.7 <sup>(c)</sup>	-3.3	17.6	-4.3	.. <sup>(d)</sup>	.. <sup>(e)</sup>	1.0	-5.1
4 Cost of department's procurement resources as a percentage of total contract spend (%)	0.51	1.5	0.8	0.7	7.0	0.5	0.6	2.4	0.7	1.6	0.7
5 Successful supplier satisfied (%)	71	83	70	78	73	78	91	100	82	88	82
Unsuccessful supplier satisfied (%)	45	42	31	38	40	25	36	33	23	25	0 <sup>(f)</sup>
6 Planned procurement activity as a percentage of actual procurement activity (%)	40.0	28.6	52.8	9.3	22.0	48.4	47.2	18.0	4.5	22.6	74.2

**Notes:**

<sup>(a)</sup> The Department of Premier and Cabinet does not use P-Cards.

<sup>(b)</sup> The Department of Environment, Land, Water and Planning used its own internal capability tool for self-assessment by staff engaged in procurement. The Department also used the VGPB capability calculator this year to use as a baseline in 2018–19.

<sup>(c)</sup> The Department of Health and Human Services scored full marks for capability so could not score higher than a 2.7 per cent increase.

<sup>(d)</sup> CenITex gained accreditation on 1 July 2017 so could not measure a capability increase from last year.

<sup>(e)</sup> Public Transport Victoria gained accreditation on 1 January 2017 so could not measure a capability increase from last year.

<sup>(f)</sup> Insufficient sample size.

## AUDITS

Our three-year rolling audit program:

- verifies compliance with VGPB supply policies;
- minimises risks; and
- improves processes to drive better procurement outcomes.

The audit measures how well organisations are achieving savings, efficiencies and better service delivery as a result of improved supplier engagement, increased market engagement and greater rigour in driving value from contracts.

The departments that completed a VGPB audit in 2017–18 include:

- Economic Development, Jobs, Transport and Resources;
- Environment, Land, Water and Planning;
- Health and Human Service; and
- Justice and Regulation.

All organisations accepted the recommendations made to improve compliance and implementation is either complete or in progress.

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

**TABLE 19: AUDIT PROGRAM SCHEDULE AND RESULTS AT 30 JUNE 2018**

Audit year	Organisation	No. of findings	Risk rating	No. of recommendations	Recommendations implemented
2016	Department of Treasury and Finance	2	Low	2	Complete
	Victoria Police	4	Low	8	Complete
	Department of Premier and Cabinet	2	One low, one moderate	4	Three complete, one in progress
	Department of Education and Training	6	Low	6	Complete
2017	Department of Health and Human Services	3	Two low, one medium	3	Complete
	Department of Environment, Land, Water and Planning	6	One low, four high, one significant	7	Six complete, one in progress
	Department of Economic Development, Jobs, Transport and Resources	2	One low, one moderate	2	Complete
2018	Department of Justice and Regulation	1	Low	3	In progress
	VicRoads	tba	tba	tba	Draft audit report under review

Note: Public Transport Victoria and CenITex were accredited in 2017 and have audits scheduled for 2020.

## PROCUREMENT ACTIVITY SUBJECT TO VGPB OVERSIGHT

The VGPB is changing its oversight process to implement a more efficient engagement model in 2018–19.

Previously, organisations could nominate certain strategic procurements for VGPB oversight and the VGPB could also identify specific procurements for oversight. The VGPB reviewed these projects at key stages of the procurement process and gave recommendations for organisations to action. The new model will continue to provide strategic oversight to SPCs.

The new engagement model is currently being developed and will be rolled out in 2018–19.

In 2017–18, the VGPB actively managed 12 oversight projects as listed in Table 20. Estimated contract values are not disclosed due to commercial sensitivity.

**TABLE 20: PROCUREMENT ACTIVITIES SUBJECT TO VGPB OVERSIGHT IN 2017–18**

Organisation	Total number	Title/description	Good/Service	Complexity assessment outcome	Proposed market approach	Oversight stage
Department of Economic Development, Jobs, Transport and Resources	1	CarbonNet – offshore appraisal well	Service	Strategic	RFT	Stage 2
Department of Education and Training	1	Technical support to Victorian schools (eduSTAR)	Service	Leveraged	Option to extend	Stage 3
Department of Health and Human Services	1	Personal Alert Victoria	Service	Strategic	RFT	Stage 3
Department of Premier and Cabinet	1	End User Computing Equipment SPC	Goods	Strategic	Option to extend	Stage 3
Department of Treasury and Finance	3	Master Agency Media Services SPC	Service	Strategic	RFT	Stage 2
		Motor Vehicles SPC	Goods	Focused	RFT	Stage 1
		Security Services SPC	Service	Focused	RFT	Stage 2
Public Transport Victoria	1	Retail brand partner	Service	Strategic	Sole Source	Stage 1,2
Victoria Police	4	Body worn cameras	Goods	Strategic	RFT	Stage 2
		Helicopter contract replacement – aircraft, aircraft systems and aircraft support services	Goods	Strategic	RFT	Stage 1
		Mobile automated number plate recognition	Goods	Strategic	RFT	Stage 1
		Replacement integrated operational equipment vests	Goods	Strategic	RFT	Stage 1
<b>Total</b>	<b>12</b>					

RFT = Request for tender

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



## NON-COMPLIANCE

Organisations report non-compliance with the VGPB supply policy framework in their ASR. Examples of non-compliance include failing to publish a procurement activity plan online, or not having all components of the governance structure in place, such as a chief procurement officer or internal procurement unit (IPU). It does not include internal process matters of non-compliance.

There was one instance of non-compliance reported in 2017–18, as listed in Table 21.

**TABLE 21: NON-COMPLIANCE IN 2017–18**

Department	Number	Non-compliance	Actions taken to resolve non-compliance	Actions taken to improve compliance in future
Department of Premier and Cabinet	1	IPU not in place	Re-established the IPU	IPU proposal approved by the Department's Board of Management and accountable officer
<b>Total</b>	<b>1</b>			

## COMPLAINTS

A complaint is defined as an issue or concern expressed by a supplier in relation to the process and probity applied by an organisation when carrying out a procurement activity.

Every organisation should have a complaints management system, setting out the process for addressing complaints by suppliers. Chief procurement officers are responsible for the complaints management process.

In 2017–18, organisations reported nine complaints related to procurement activity, as shown in Table 22. Four of these complaints related to non-acceptance of late tenders. The Victorian Government has clear rules around submitting tender documents.

This compares to five complaints in 2016–17, three complaints in 2015–16 and six complaints in 2014–15.

**TABLE 22: COMPLAINTS RELATED TO PROCUREMENT ACTIVITY IN 2017–18**

Organisation	Number	Nature of complaint	Action taken	Status
Department of Environment, Land, Water and Planning	2	Non-acceptance of late tender due to tenderer having no internet connection	Examined issue and advised tender could not be admitted to evaluation process based on conditions of tender.	Matter resolved
		Non-acceptance of late tender due to failure to comply with lodgement protocol (tender sent by email instead of Tenders Vic)	Examined issue and advised tender could not be admitted to evaluation process based on conditions of tender.	Matter resolved
Department of Health and Human Services	1	Appeal on non-acceptance of a late bid	Appeal was reviewed and confirmed as ineligible for any further consideration.	Matter resolved
Department of Treasury and Finance	2	Procedural issues relating to managing tenders for the Master Agency Media Services SPC	Complaint was not substantiated. An internal report (confidential, independent) found no basis to the issues raised by the complainant.	Matter resolved
		Procedural issues relating to managing tenders for the Security Services SPC	Complaint was not substantiated. An internal report (confidential, independent) found no basis to the issues raised by the complainant.  Complainant was advised that escalating to the VGPB was the last avenue.  The matter was referred to the VGPB by the complainant. The VGPB is engaging an independent probity auditor to investigate and provide a report.	Referred to VGPB
Public Transport Victoria	2	Disputed the performance outcome of a tender	The complaint was related to the franchisee tender process so was referred to the franchisee for action. Discussed with complainant and no further action taken.	Matter resolved
		Dispute of an RFT outcome based on process deficiencies and the rationale for the market approach	Completed an internal independent review of procurement process, evaluating all tender submissions. Review concluded that the process was fair and proper.	Matter resolved
Victoria Police	2	Tenderer lodged a complaint after their response to an RFT was disqualified for being late	Complaint was assessed in accordance with Victoria Police policy. Response provided to complainant.	Matter resolved
		Tenderer lodged a complaint relating to a request for information on the evaluation status of their tender response	Complaint was considered in accordance with Victoria Police policy.  Initial response provided to complainant.	Still under investigation
<b>Total</b>	<b>9</b>			

Note: In the VGPB Annual Report 2016–17, two complaints were reported that were still under investigation at the end of the financial year. Both complaints were resolved in 2017–18.

# ORGANISATIONAL PROCUREMENT PROFILES

**Organisations can have vastly different procurement profiles. This section provides a procurement summary of each organisation including:**

- **procurement profile;**
- **compliance with VGPB policies;**
- **performance during the year; and**
- **activities planned for the next financial year.**

**The accountable officer (AO), chief procurement officer (CPO) and IPU Chair listed under each organisation are the people in those roles at 30 June 2018.**

## PERFORMANCE MEASURES METHODOLOGY

**Table 23 summarises the methodology for calculating the six performance measures. Organisations track their procurement performance each year using these measures.**

**TABLE 23: PERFORMANCE MEASURE METHODOLOGY**

Performance measure	Definition
<b>1</b> Value created as a consequence of department procurement activity	Value of direct cost savings and potential costs avoided for department procurements of \$100 000 and greater, conducted during the financial year as a percentage of the total value of department total contracted spend during the financial year.
<b>2</b> Proportion of the number of transactions at or below \$2 000 through a P-Card or equivalent	Percentage of P-card or equivalent contracted automated electronic transactions at or below \$2 000 against percentage of total department transactions at or below \$2 000.
<b>3</b> Increase in procurement capability	Annual assessment of the improvement in departmental procurement capability year on year, measured by the department score on the VGPB capability assessment tool and template.
<b>4</b> Cost of department's procurement resources as a percentage of total contract spend	For all staff who spend minimum 80 per cent of their time on procurement, total wage and salary expense (total remuneration package, exclusive of on-costs) as a percentage of total department contracted spend for the financial year.
<b>5</b> Supplier satisfaction assessment	Satisfaction with quality of service provided by the department procurement function as provided by an annual survey of supplier perception of experience over time.
<b>6</b> Planned procurement activity as a percentage of actual procurement activity	Number of planned procurements captured in a department's internal forward procurement activity plan against the number of procurement activities awarded to the market.

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

The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) drives economic development and job creation across Victoria, incorporating transport and ports, investment attraction and facilitation, trade, agriculture, creative industries and resources.

### Procurement profile

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

DEDJTR has an annual goods and services spend of approximately \$950 million, which has increased by approximately \$520 million compared to 2016–17 spend, primarily due to the increase of spend within the Major Transport Infrastructure Program (MTIP) and the novation of contracts from Public Transport Victoria to Transport for Victoria.

This spend also spans a complex portfolio of services and a diverse range of spend categories which are segmented at a high level into the following: agriculture and marine, facilities management, general business services, human resources, IT and telecommunications, marketing, business events, professional services, scientific research, travel and utilities.

MTIP is a key program of work within DEDJTR, which is delivered through the Office of the Coordinator-General. The MTIP investment program is delivered by four authorities overseen by the Coordinator-General.

A dedicated MTIP procurement framework was established in March 2018 to manage the complexities in process requirements and approvals associated with coordinating expenditure under both the VGPB supply policy framework and the *Project Development and Construction Management Act 1994*. The MTIP framework is fully aligned with DEDJTR's procurement policies and processes.

The DEDJTR accountable officer has appointed two CPOs – the overall DEDJTR CPO and a dedicated MTIP CPO.

**AO:** Richard Bolt, Secretary

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

**IPU Chair:** Luke Wilson, Lead Deputy Secretary Corporate Services

### Compliance with VGPB policies and related activities

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

DEDJTR completed an audit as part of the VGPB's compliance program in July 2017. The audit found that the Department's overall procurement maturity has significantly improved through the VGPB's procurement reform program. Two opportunities for further improvements were identified and related actions completed:

- improve DEDJTR's contract management framework; and
- enhance compliance and staff capability on procurement and contract management activities.

**TABLE 24: DEDJTR'S COMPLIANCE ACTIVITIES IN 2017-18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>Improved DEDJTR's procurement governance process by creating a smaller, focused Procurement Advisory Group. The Group is engaged for all goods and services procurement activities of \$3.5 million and above in accordance with its terms of reference.</li> <li>Launched a Social Procurement Policy in February 2018 and provided training to the Strategic Procurement Division (SPD) to promote working with suppliers owned by or employing Victorians who are underrepresented in the economy in alignment with Victoria's Social Procurement Framework.</li> <li>To support the Department of Premier and Cabinet's review of consultancy spend in government, the SPD updated the procurement policy, process and documentation to ensure Secretary (accountable officer) oversight is applied to all new consultancy engagements costing more than \$100 000.</li> <li>The MTIP CPO was appointed in July 2017 and an IPU (the MTIP Procurement Oversight Committee) was established in February 2018 to govern MTIP's goods and services and construction-related procurement activities.</li> <li>Launched MTIP's procurement framework including ancillary documents in March 2018 to bridge the gap between goods and services procurement and construction-related procurement.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Developed a proposal for an early discovery phase project to prepare a DEDJTR e-sourcing (source to contract) technology systems roadmap, aligned with the WoVG Statement of Directions for Procurement Systems. The DEDJTR Executive Board has approved the proposal.</li> <li>Launched four procurement training modules and provided training across the Department to build procurement knowledge and skills. These training modules were: <ul style="list-style-type: none"> <li>– procurement policy and processes;</li> <li>– procurement principles;</li> <li>– evaluating tender responses; and</li> <li>– contract management.</li> </ul> </li> <li>To create a more efficient and agile procurement process for high-volume, low-value/risk spend, DEDJTR consolidated the procurement process from six individual forms to be completed by the requestor, to one new procurement brief for low-value procurements.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>Supported collaboration across transport-related business areas in DEDJTR and other agencies, to conduct market analysis and identify opportunities for consolidated/leveraged procurement.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Implemented a new negotiation plan template at the end of 2017 to help DEDJTR staff with negotiation during the procurement process.</li> <li>Implemented a new evaluation tool to provide a streamlined and more effective evaluation process for both weighted criteria and pricing. This tool helps staff to evaluate submissions and ensures the Department is systematically applying evaluation criteria and scoring.</li> <li>Developed a new benefits management framework to make it easier to measure cost and value-for-money benefits achieved from procurement activities.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Developed a new contract management framework to guide and support all departmental staff who manage contracts.</li> <li>Created a new user guide for DEDJTR's contract management system to ensure staff have the support and capability to use the system.</li> <li>Set up a quarterly compliance dashboard for reporting to the DEDJTR Executive Board. The dashboard identifies areas of non-compliance in the Department, which are then followed up with the respective divisions.</li> </ul>

## Performance

Table 25 sets out DEDJTR's performance in 2017–18, compared with the two previous years.

**TABLE 25: DEDJTR'S PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	..	..	5.3	The Department had no formal mechanism in place to measure value before the end of 2016–17 so has no comparison with previous years.
2 Proportion of P-Card (or equivalent) transactions	28	29.9	44.6	The increase in transactions is due to an improved reporting process.
3 Increase in procurement capability	..	..	3.0	DEDJTR developed a new contract management framework, deployed four procurement e-learning modules and an improved performance management process. The Department should see another increase in capability in 2018–19 as it educates the business to embed the contract management framework and invests in improved systems and technology.
4 Cost of procurement resources	0.6	0.2	0.5	The increase in the relative cost of procurement resources this year is due to a rise in resource levels, including for the MTIP procurement organisation.
5 Successful supplier satisfied	67	90	71	The low survey response rate of 8 per cent in 2017–18 limits the validity of the data and makes it difficult to compare yearly results.
Unsuccessful supplier satisfied	41	46	45	
6 Planned procurement activity	..	29.3	40.0	The increase is due to enhanced collaboration between procurement and business divisions. Further improvement will come from sharing these results and continued collaboration with the business to improve the accuracy of planning.

## Activities planned for 2018–19

In 2018–19, DEDJTR will:

- develop a strategy to support DEDJTR's business areas with the implementation of Victoria's Social Procurement Framework;
- review DEDJTR's procurement policy and the SPD's operating model to create a more user-friendly and agile procurement operating model. The model will support business areas to develop their capability to self-manage low-value, low-risk procurements, while the SPD develops category management capability and focuses more resources on high-value, high-risk procurements;
- review technology options for an e-sourcing (source-to-contract solution) in alignment with the WoVG Statement of Directions for Procurement Systems and the wider DEDJTR Enterprise Resource Planning strategy;
- make tactical improvements to the current Contract Management System and customise DEDJTR's Oracle 11i iProcurement system to improve data quality for the reporting of contractor and consultant spend;
- develop a strategy to manage compliance with the Victorian Protective Data Security Framework standards; and
- embed the Victorian Industry Participation Policy (VIPPP) and allied local community development initiatives in DEDJTR's procurement policy and processes.

## DEPARTMENT OF EDUCATION AND TRAINING

The Department of Education and Training (DET) is committed to building an education system that gives every Victorian the best learning and development experience. Education remains a cornerstone to ensuring that all Victorians have the skills and knowledge they need to actively participate in and contribute to our rapidly changing economy and society. DET offers learning and development support, services and resources for all Victorians, from birth through to adulthood.

### Procurement profile

The Department's procurement objective is to support DET's ability to deliver against the departmental objectives aligned to DET's strategic plan, by driving value for money through efficient and effective procurement of goods and services.

Total expenditure for 2017–18 was about \$430 million. Major areas of expenditure include IT, education and training services, professional services and school bus services. DET's highest value procurement sourcing activity in 2017–18 was the Microsoft Licensing Agreement 2018–22, with an estimated value of \$99 million over three years.

DET approved 199 goods and services contracts valued at greater than \$100 000 in 2017–18, with a total value of about \$276 million. A third (33 per cent) of these contracts relate to procurements in the IT sector.

The majority of these contracts (by value) are represented by IT, professional services and learning and development spend in the leveraged complexity quadrant (79 per cent). This indicates that DET is procuring frequently used goods and services in a competitive marketplace.

DET's Procurement Division operates under a centre-led operating model. The Division runs a centre-led strategic procurement function, which includes managing key corporate and school categories, plus sourcing and contract management of complex goods and service requirements.

The Procurement Division is responsible for end-to-end procurement of corporate activities (based on dollar value and complexity).

**AO:** Gill Callister, Secretary

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

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

### Compliance with VGPB policies and related activities

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

DET was audited as part of the VGPB's compliance program in 2016–17. DET had six audit actions, four of which were completed during the same year and two which were addressed in 2017–18.

**TABLE 26: DET'S COMPLIANCE ACTIVITIES IN 2017-18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>Completed the 2017 procurement strategy.</li> <li>Released a revised procurement policy and procedures in July 2017 with associated training rolled out throughout the year.</li> <li>Released a refreshed corporate procurement intranet giving staff better guidance to carry out procurement in DET.</li> <li>Reviewed and approved all procurements above \$150 000 in accordance with the approvals framework.</li> <li>The IPU (Procurement and Probity Committee) directly reviewed 98 procurement activities (sourcing strategies, variations and recommended supplier decisions) and noted a further 185 procurement activities that had been approved/noted by the CPO.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Rolled out Community of Practice forums during the year to share information, request information and enhance awareness of procurement policy and procedures. Staff attending the forums share knowledge with colleagues involved in procurement.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>The Procurement Division introduced spend analytics capability to improve quality of spend data, carry out market analysis and review and enhance reporting.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>The Corporate Procurement Team registered with the Victorian Government Library Service to access IBISWorld supplier and category reporting. Procurement also started tracking non-responses to market requests.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Rolled out an online contract management e-learning training program and face-to-face contract management training.</li> </ul>



## Performance

Table 27 sets out DET's performance in 2017–18, compared with the two previous years.

**TABLE 27: DET'S PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	4	2.0	3.5	The procurement team increased oversight of procurements and delivery of end-to-end procurement activities as a result of procurement reform activities in DET.
2 Proportion of P-Card (or equivalent) transactions	2.5	4.3	15.1	This improvement was expected as DET issued more P-Cards to staff and explained the benefits.
3 Increase in procurement capability	..	0.0	2.4	Increased capability due to detailed category review of complexity in 2017–18.
4 Cost of procurement resources	1.5	0.8	0.8	In line with previous years – no change expected.
5 Successful supplier satisfied	79	78	70	In line with previous years – no change expected. Very small sample size in 2017–18.
Unsuccessful supplier satisfied	40	50	31	
6 Planned procurement activity	34.5	31.7	52.8	Significant increase due to engaging stakeholders much earlier.

## Activities planned for 2018–19

In 2018–19, DET will:

- update its annual capability plan;
- review its procurement strategy;
- complete a DET category review;
- implement social procurement; and
- improve data analytics.

## DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

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

### Procurement profile

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

A significant portion of DELWP's procurement activity focuses on emergency management related to fire and flood recovery, including a chartered fleet of around 50 aircrafts.

Procurement in DELWP was carried out under a decentralised model. The more significant procurement sourcing activities in 2017–18 included:

- surface water monitoring services, including water quantity, water quality and monitoring site maintenance on behalf of the Regional Water Monitoring partnership;
- sourcing renewable energy certificates from solar suppliers;
- personal protective clothing for firefighters; and
- panels for labour hire and catering services at emergency events.

**AO:** John Bradley, Secretary

**CPO:** A.J. Karliner, CPO, Finance and Planning

**IPU Chair:** Helen Vaughan, Deputy Secretary, Water and Catchments

### Compliance with VGPB policies and related activities

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

DELWP underwent a VGPB audit in 2017–18. The VGPB identified six areas for improvement related to non-compliance with several policy areas, supporting components of DELWP's procurement strategy, and the operation of the IPU (the Procurement Committee). DELWP implemented several actions to address these findings.

**TABLE 28: DELWP'S COMPLIANCE ACTIVITIES IN 2017-18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>Reviewed DELWP's procurement operating model and decided to move from a decentralised to a centre-led procurement model, with a focus on strategic sourcing and category management (audit action). The accountable officer and IPU have approved the move and it will become operational in early 2018-19.</li> <li>DELWP has several layers of process approvals to ensure compliance with VGPB policies. In 2017-18, the ICT category manager independently reviewed ICT procurements between \$100 000 and \$500 000. The CPO approved procurement greater than \$150 000, including variations and noted any breaches of procurement process. The Procurement Committee reviewed strategic procurement plans for procurements valued greater than \$10 million.</li> <li>Mandated that for procurement greater than \$500 000 with a Project Control Board (PCB), a member of the procurement team must be included in the PCB.</li> <li>Mandated that contractors cannot be voting members of a PCB or act as chair of a supplier evaluation committee (audit action).</li> <li>IPU members self-assessed their performance on the IPU (audit action).</li> <li>Reviewed and updated procurement policies and procedures to ensure the procurement requirements are unambiguous and well understood by staff (audit action).</li> <li>Began updating DELWP's procurement strategy (audit action).</li> <li>Implemented a tracking process to identify actual savings declared in procurement approval documentation to improve reporting on savings and enable reporting against the VGPB's first performance measure.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Assessed capability using DELWP's own procurement capability assessment survey for the third and final year. The results give a snapshot of DELWP's procurement maturity. Procurement is still relatively immature overall, but the Department has seen incremental improvements each year.</li> <li>After reviewing DELWP's training framework, the Department implemented an introductory procurement e-learning training course available on the intranet for all staff to cover a gap identified in this area (audit action).</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>Became a member of a leading procurement intelligence provider, giving access to market intelligence to support DELWP's sourcing practices.</li> <li>Bought a licence to a financial intel services provider. The Department will use its tools to identify its small to medium vendors and Aboriginal and social enterprise organisations, so it can monitor Aboriginal expenditure targets and companies in financial distress.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Bought a Social Traders Ltd membership so it can promote social enterprises as potential DELWP vendors. This allows the Department to support disadvantaged or Aboriginal business participation in the government marketplace.</li> <li>Procured a vendor management system for contingent labour so it can streamline sourcing and contract management and improve reporting on contingent labour. This will be implemented in 2018-19.</li> <li>Began reviewing source-to-contract tools to manage tenders and suppliers and provide better reporting (audit action).</li> <li>Introduced a Best and Final Offer template to standardise DELWP's Best and Final Offer approach.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Started a contract review process, selecting a sample of contracts for review each quarter against management review principles.</li> <li>Published any contracts needing to be published on the Contracts Publishing System (audit action).</li> </ul>

## Performance

Table 29 sets out DELWP's performance in 2017–18, compared with the two previous years.

**TABLE 29: DELWP'S PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	..	..	7.5	DELWP can now report on this measure by tracking savings identified in procurement approval documentation. DELWP expects to see more direct capture of savings after introducing a new procurement model, including a strategic sourcing team to conduct all procurement greater than \$3 million and a greater focus on category management reporting.
2 Proportion of P-Card (or equivalent) transactions	14.6	19.7	21.0	DELWP promoted a purchase order policy recommending that no purchase orders are to be raised for spend under \$2 000. The Department will conduct some trend analysis to investigate where there are a high number of low-value transactions and low usage of the DELWP corporate card.
3 Increase in procurement capability	..	13	16	In 2016, DELWP engaged an external company to provide a tool to self-assess capability over three years. In 2017–18, DELWP was assessed as 'evolving', which was an improvement on 2016–17 ('beginner') and 2015–16 ('aware'). DELWP is now using the VGPB's capability tool and measured at 86/150 (57.3 per cent) for 2017–18. This will be the baseline to measure an increase from next year.
4 Cost of procurement resources	..	0.03	1.5	This figure includes the central procurement team and eight other staff members who are assessed as spending more than 80 per cent of their role on procurement functions. Given that procurement is decentralised and conducted by staff as part of their full-time other roles, this performance measure does not fully reflect DELWP's procurement costs. DELWP will move to a centralised model in 2018–19.
5 Successful supplier satisfied	87	82	83	Unsuccessful satisfied suppliers has increased over the past three years. This could be linked to introducing training in evaluating tenders and quotes. Suppliers were most concerned about communication (being kept informed during the evaluation process and timely notification of the outcome). These areas will be factored into the training.
Unsuccessful supplier satisfied	38	37	42	
6 Planned procurement activity	54.5	63.2	28.6	DELWP publishes a procurement activity plan for all planned procurement greater than \$500 000 every six months on its website. DELWP captured six of the 21 procurements this year. The other 15 were either not captured by the business area or were unplanned at the start of the year due to policy and budget issues. DELWP will continue to promote the requirement to publish procurements and the Procurement Branch will follow up with DELWP business managers.

### Activities planned for 2018–19

In 2018–19, DELWP will:

- finish updating its procurement strategy;
- introduce a strategic sourcing team into the centre-led procurement model to carry out all procurement valued at greater than \$3 million across the Department;
- add ICT and professional services category management into the centre-led procurement model to centralise sourcing and contract management of these categories;
- implement a source-to-contract and contract management tool to simplify managing tenders and suppliers, and improve procurement reporting capability for better visibility of spend and data capture (originally planned for 2017–18);
- launch a new introduction to procurement training course to complement the existing online training module;
- implement the vendor management system for contingent labour; and
- implement Victoria's Social Procurement Framework.

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

### Procurement profile

DHHS operates a centre-led goods and services (non-construction) procurement function that supports staff when carrying out procurement and/or contract management actions.

The main spend categories are:

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

The Department's IPU (the Procurement Committee) has 10 executive-level members and is chaired by a Deputy Secretary. Members attend formal scheduled meetings and vote on ad hoc out-of-session matters throughout the year. The committee oversaw procurement policy, planning and compliance arrangements in 2017–18, which included consideration of 224 procurement plans with an estimated value of \$372 million. The committee formally approved 22 of these totalling \$260 million, with the balance being managed by committee delegates.

**AO:** Kym Peake, Secretary

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

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

### Compliance with VGPB policies and related activities

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

DHHS completed its VGPB audit on 19 October 2017. The audit made only minor recommendations, all of which were implemented by the end of 2017.

**TABLE 30: DHHS COMPLIANCE ACTIVITIES IN 2017–18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>Completed an internal audit of compliance with VGPB policies in July 2017. DHHS' Internal Audit and Risk Management Committee noted the outcomes in August and the VGPB Chair acknowledged the audit results in October. Actions to remediate minor findings were implemented by 31 December 2017.</li> <li>The CPO coordinated responses from both the construction and non-construction branches of the Department to contribute to the WoVG Statement of Directions for Procurement Systems at a department level.</li> <li>The CPO supported an initiative to purchase Quick Source, an e-procurement application in Zycus' procure-to-pay suite, to streamline the engagement process for several department panels to be set up in 2018–19.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Continued to implement capability development projects arising from the Department's Capability Assessment, including the following presentations at the Department's biannual forum: <ul style="list-style-type: none"> <li>In November, the Victorian Government Solicitor's Office presented on the importance of contract management, and the Victorian Auditor-General's Office spoke about its role and performance audits.</li> <li>In May, the Independent Broad-based Anti-corruption Commission presented on exposing and preventing corruption in Victoria, the Victorian Managed Insurance Authority spoke about insurance risk, and a consultancy specialising in probity talked about probity in procurement and contract management.</li> </ul> </li> <li>Updated procurement information on the DHHS intranet. The contract management guide was redesigned and updated and all content refreshed.</li> <li>Linked the Department's budget reporting system to the contracts reporting system to report more easily on real-time financial commitments at the business unit level.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>The CPO oversaw the aggregated contracts demand project managed by Procurement Services. The project reviewed 41 non-construction goods and services categories based on annual spend of about \$690 million. A number of potential savings opportunities will be further explored in 2018–19.</li> <li>Set up a working group to review further cost management opportunities. This project will drive targeted savings initiatives for 2018–19, such as centralising staffing services engagements and tracking non-employees who directly support the Department's day-to-day business activities. The project is led by the Innovation and Organisational Improvement branch and supported by Procurement Services.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Set up a whole-of-department panel for a wide range of recurrent human resource categories, including training, coaching and other educational services.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Redesigned the DHHS contract management guide and updated the intranet to reflect the new guide.</li> </ul>

## Performance

Table 31 sets out DHHS performance in 2017–18, compared with the two previous years.

**TABLE 31: DHHS PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	4	0.2	0.8	DHHS applied a consistent procurement methodology that included monitoring and reporting the outcome of negotiation and/or Best and Final Offers in procurement activities to identify total savings of \$3.9 million over the financial year. Quality of data has now improved thanks to this formal reporting process.
2 Proportion of P-Card (or equivalent) transactions	11.3	12.3	16.5	DHHS continues to support P-Cards as a payment mechanism for low-value transactions. The increase may be due to the Department's effort to eliminate cheques where practical.
3 Increase in procurement capability	2	6.6	2.7	The results reflect the increased capability of the Department's procurement function. DHHS scored full marks for capability so could not score higher than a 2.7 per cent increase.
4 Cost of procurement resources	0.6	0.7	0.7	Results continue to reflect a low cost for driving compliant procurement processes conducted in accordance with VGPB policies. These consistent results reflect the careful management of procurement resources.
5 Successful supplier satisfied	92	82	78	DHHS offers debriefing sessions to unsuccessful bidders. There have been no obvious indicators during the year to support the reduction in satisfaction of unsuccessful bidders. DHHS only had an 11 per cent survey response rate so it could be that non-responders had no issue with performance. DHHS will look for opportunities to improve communications with bidders during 'open' (under analysis) processes, to keep them better informed. Survey results will be discussed with all procurement officers.
Unsuccessful supplier satisfied	40	53	38	
6 Planned procurement activity	31.6	5.7	9.3	While the numbers reported only represent the projects published in its procurement activity plan at the start of July 2017, the actual number of unpublished, yet planned, procurement activities is estimated at between 400 to 500 jobs. Procurement Services continues to refine procurement planning, particularly encouraging business owners to identify procurement jobs well in advance.

## Activities planned for 2018–19

In 2018–19, DHHS will:

- implement Victoria's Social Procurement Framework;
- implement Quick Source to streamline the engagement process with panel providers;
- support department initiatives to streamline engaging consultants, such as a greater focus on internal resources rather than contracting externally and better management of spend on contractors;
- centralise the staffing services function in Corporate Services so DHHS can contract on-hire staff through the Staffing Services SPC more efficiently; and
- review spend data to identify further opportunities for savings.

## DEPARTMENT OF JUSTICE AND REGULATION

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

DJR leads the delivery of justice and regulation services in Victoria. DJR has extensive service delivery responsibilities, which range from managing the state's prison system to providing consumer protection and enforcing court warrants.

DJR manages the development and implementation of a range of laws, regulation and policy in areas across the portfolio (such as in gaming, racing and emergency management) and ensures that all elements of the justice and regulation system are working efficiently and effectively.

### Procurement profile

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

More than 180 full-time equivalent employees across DJR are invested in supporting sourcing, purchasing and contract management activities.

Predominant categories of spend are private prisons, construction and property, ICT, road safety, and contractors and consultants.

**AO:** Greg Wilson, Secretary

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

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

### Compliance with VGPB policies and related activities

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

DJR completed an internal audit of VGPB policies in June 2018. The audit resulted in one low-risk finding and three recommendations, which will be implemented by December 2018. The agreed management actions focus on opportunities to enhance communication, sharing and consistency of procurement outcomes.



**TABLE 32: DJR'S COMPLIANCE ACTIVITIES IN 2017-18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>Finalised the upgrade of purchase-to-pay practices, eCatalogues and associated training to drive more efficient and effective supplier relationships and outcomes and increase DJR's use of online catalogues.</li> <li>Embedded a benefits realisation framework.</li> <li>Started a departmental review of procurement to identify ways to deliver procurement more efficiently and increase capability.</li> <li>Improved current practices to reduce the risk of fraud and corruption.</li> <li>Incorporated public construction procurement activity into the existing IPU (the Procurement Approval Board) governance arrangements.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Expanded DJR's procurement training profile to include several specialist modules and an RMIT Certificate IV in Procurement and Contracting.</li> <li>Trained more than 800 departmental employees in procurement-related training modules.</li> <li>Set up a Purchasing Support Centre to help the business with purchasing practices.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>Procured a new e-sourcing tool to automate the procurement process and provide greater consistency and transparency.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Introduced iSupplier capability to give suppliers a 'self-service' capability to manage their corporate and invoice management data as part of the purchase-to-pay uplift project.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Introduced a contract management framework to guide contract managers through the contract management lifecycle.</li> <li>Upgraded the contract management system to improve reporting so the Department can identify opportunities for aggregation and enhance its purchasing power.</li> </ul>

## Performance

Table 33 sets out DJR's performance in 2017–18, and a comparison with the two previous years.

**TABLE 33: DJR'S PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	0.04	0.4	0.4	Value created has remained relatively steady. DJR anticipates over the coming year that the new benefits realisation framework will help reflect actual benefits derived from procurement in the next reporting period.
2 Proportion of P-Card (or equivalent) transactions	19.0	10.4	12.7	Slight increase this financial year. DJR had a 22 per cent increase in the value of spend below \$2 000 and 5.5 per cent increase in overall spend on P-Cards.
3 Increase in procurement capability	..	..	-3.3	DJR has several initiatives in place to improve procurement capability, with sourcing and procurement technology being a focus area.
4 Cost of procurement resources	3.6	3.8	7.0	This result is attributed to an increase in the number of staff conducting procurement-related activities in 2017–18, and a decrease in DJR's overall annual contract spend. This result was led by a recent review of procurement which allowed DJR to better identify and capture staff involved in procurement, leading to an increase in this performance measure.
5 Successful supplier satisfied	65	70	73	While there was a decrease in the overall satisfaction of unsuccessful suppliers, the size of the sample group and response rate was too small to compare results to the previous year. DJR expects the new e-sourcing tool to improve supplier satisfaction with all aspects of the source-to-contract process.
Unsuccessful supplier satisfied	36	50	40	
6 Planned procurement activity	21	10.6	22.0	Overall, planning has improved with more than 20 per cent of procurements greater than \$100 000 being captured on the procurement activity plan. DJR expects improvements to increase with the adoption of its source-to-contract tool.

## Activities planned for 2018–19

In 2018–19, DJR will:

- upgrade and introduce new procurement technology, including a supplier portal, mobile purchasing applications and an electronic sourcing tool;
- establish a supplier relationship framework to leverage key suppliers, manage risk, improve performance and consolidate suppliers;
- introduce a category management framework and further eCatalogues to optimise spend across DJR in each category of goods and services;
- introduce a social procurement strategy and embed Victoria's Social Procurement Framework to maximise the social value created by DJR's spending;
- improve measurement and reporting to identify improvement opportunities and confirm using diverse suppliers, including local businesses and Koori suppliers; and
- work to attract and retain highly capable staff to deliver benefits to DJR and the community through improved procurement.

## DEPARTMENT OF PREMIER AND CABINET

The Department of Premier and Cabinet (DPC) leads the Victorian public service, advising government on emerging policy issues and reviewing the impact of government decisions. DPC works for the people of Victoria by helping the government achieve its strategic objectives. DPC manages the issues that affect the government as a whole and promotes Victoria's interests nationally and internationally.

### Procurement profile

The Corporate Procurement Team supports DPC and portfolio agencies through a centre-led system of procurement. It provides a range of specialised services including procurement policy, process and best practice advice, capability uplift and market engagement advice to the Department. This year, DPC implemented its own Procurement Reform Strategy 2018–19 to address governance, service delivery, capability and technology improvements.

DPC predominantly procures services related to:

- professional advisory;
- marketing;
- social research; and
- strategic communications.

DPC also leads the Whole of Victorian Government (WoVG) ICT SPC arrangements. The ICT Procurement Team manages significant government contracts to mitigate procurement risk, improve aggregated buying opportunities for the Victorian Government and ensure value-for-money outcomes. Some of these goods and services include:

- software applications and licensing;
- hardware;
- telecommunications; and
- eServices and IT infrastructure registers.

**AO:** Chris Eccles, Secretary

**CPO:** Kylie Callander, CPO, Procurement Branch, Corporate Services

**IPU Chair:** Susan Middleditch, Executive Director, Corporate Services, Governance, Policy and Coordination

### Compliance with VGPB policies and related activities

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

DPC underwent a VGPB audit in 2016–17. Five areas around governance (including reporting requirements) and market analysis were identified for improvement. These improvements were addressed in the Procurement Reform Strategy 2018–19, which was implemented in March 2018. Implementing DPC's IPU is planned for July 2018.

**TABLE 34: DPC'S COMPLIANCE ACTIVITIES IN 2017-18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>Implemented the DPC Procurement Reform Strategy 2018-19. The strategy reviewed DPC's reform activities across corporate procurement with a focus on robust governance, simplifying procurement information, automation and innovation and having the right procurement skills.</li> <li>As part of the reform strategy, DPC set up the IPU governance structure and internal approval process. The IPU will be fully implemented in July 2018.</li> <li>Implemented a complaints register and reviewed and improved the complaints management process.</li> <li>Reviewed and updated DPC procurement policy, processes and templates in line with VGPB policies, and implemented a breach register.</li> <li>Developed a reporting calendar outlining key reporting requirements and dates to improve timeliness and quality reporting.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Implemented one-on-one procurement training with key stakeholders in DPC to increase their procurement knowledge.</li> <li>Ran business unit procurement briefings and presentations and provided formal training opportunities to staff who frequently procure.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>Analysed corporate spend to inform category strategies such as uniform, consultancies and end-user computing.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Added a search tool to the eServices register to better support market approach activity and buyer usability.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>Began centralising corporate contract records to improve records.</li> </ul>

## Performance

Table 35 sets out DPC's performance in 2017–18, compared with the two previous years.

**TABLE 35: DPC'S PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	..	39.2	6.6	Several SPC software contract renewals, governance improvements and training in sourcing practices were the drivers of this value. The variance in value is largely influenced by SPC cycles. DPC plans to review how it calculates cost savings and benefits in 2018–19.
2 Proportion of P-Card (or equivalent) transactions	0	0	0	DPC has not implemented P-Cards.
3 Increase in procurement capability	..	..	17.6	DPC had gains in all capability areas, with the most significant being improvements to procurement documentation processes and complaints handling.
4 Cost of procurement resources	0.9	1.2	0.5	The decrease is a direct result of the WoVG ICT Procurement Team restructure, which started in April 2018.
5 Successful supplier satisfied	57	73	78	Successful satisfied suppliers has increased while successful unsatisfied has decreased.
Unsuccessful supplier satisfied	33	36	25	
6 Planned procurement activity	..	50.0	48.4	DPC continues to measure planned procurement activities but is also reactive to the service delivery needs of the Department.

Note: DPC is evaluating its methodology for calculating performance measures 1 and 2.

## Activities planned for 2018–19

In 2018–19, DPC will:

- implement a sourcing-to-contract e-procurement system to simplify the procurement process for corporate procurements and WoVG ICT contract management;
- implement an improved WoVG ICT procurement operating model and structure, which supports the Government's ICT strategy and cyber security strategy; and
- develop a social procurement strategy that outlines DPC's social procurement opportunities and objectives and aligns procurement activities with Victoria's Social Procurement Framework.

## DEPARTMENT OF TREASURY AND FINANCE

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

### Procurement profile

DTF's innovative, expert advice balances economic, social and environmental goals within a framework of responsible financial management. Hence, DTF's procurement profile focuses largely on professional services to support these functions.

DTF is the lead agency for a number of SPCs through its Strategic Sourcing Group. Aside from SPCs, DTF's procurement profile was primarily transactional for 2017–18.

DTF operates a decentralised procurement environment, supported by a centralised policy framework. The Procurement Resource Unit (PRU) helped about 120 procurers (10 per cent of DTF staff) with more than 230 procurements worth more than \$10 000 during 2017–18.

**AO:** David Martine, Secretary, Senior Executive Group

**CPO:** Steven Harris, CPO, Corporate and Government Services

**IPU Chair:** Joe Bonnici, Finance Projects Executive, Corporate Finance

### Compliance with VGPB policies and related activities

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

**TABLE 36: DTF'S COMPLIANCE ACTIVITIES IN 2017-18**

VGPB policy	Activities
Governance	<ul style="list-style-type: none"> <li>• This was the first year of DTF's new four-year procurement strategy (2017-21). The strategy delivers procurement outcomes that support the DTF Corporate Plan and achieve improvements in line with VGPB policies. The strategy includes the following initiatives:               <ul style="list-style-type: none"> <li>– enhancing IPU oversight to continuously improve the line of sight to individual procurement categories;</li> <li>– exploring current practices for compliance and innovation;</li> <li>– identifying and implementing improvements from supplier feedback;</li> <li>– reviewing and updating the IPU's terms of reference; and</li> <li>– investigating automated reporting and exploring data analytics, auditing and dashboards.</li> </ul> </li> <li>• The procurement strategy includes expanding the IPU's scope to include enhanced reporting and oversight of all procurement in the Department. The PRU and the CPO met with relevant areas to discuss their current procurement processes, which will inform future oversight improvements. As a result, there has been additional ongoing reporting provided to the IPU as part of its regular governance activities.</li> <li>• The PRU consulted and continues to explore opportunities to incorporate good procurement culture within broader departmental culture programs with People and Culture. In addition, promoting good procurement behaviours has been delivered via the introduction of DTF's integrity framework and accompanying roadshow for all business units. The use of forums, such as the corporate induction program, has also supported this objective.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• The PRU, CPO, Corporate Finance and other areas of DTF have been heavily involved in developing the Enterprise Resource Planning (ERP) system. Now close to release, the PRU and CPO have identified several areas where the new system can help deliver efficiencies, including contract management. The ERP is expected to go live in late 2018 and the next phase of the project will kick off with the PRU implementing change management and training.</li> <li>• The PRU implemented improved practices for dealing with non-compliant procurements. These improvements included face-to-face meetings with relevant executive directors and financial delegates, and followed delivery of a refresher training course for relevant teams – particularly those teams that showed a lack of comprehensive knowledge of the policy framework.</li> <li>• The PRU has strongly encouraged contract managers with low or no previous procurement experience to have an experienced contract manager review and oversee their procurement (a mentor for contract management). The PRU also provides additional support, including helping procurers find a suitable mentor to help them develop and build capability in procuring and managing contracts.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• The PRU conducted a mid-year refresh of the forward procurement activity plan for the first time. This included a mechanism for identifying consultancy procurements to address the new requirement for the Secretary (accountable officer) to approve all consultancy procurements. This created a more efficient consultancy approval process and re-enforced the importance of procurement planning to the broader executive group.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• With the introduction of the target for Aboriginal procurement, the PRU and CPO have started promoting using Aboriginal suppliers. The PRU completed a supplier matching exercise and identified suppliers and particular areas of goods and services that DTF are most likely to procure. The PRU promoted this list of suppliers with key clients and published it internally.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• The PRU continued to implement innovative approaches to improving compliance by completing post-contract reviews for expired contracts. Contract managers gave verbal updates to the IPU for larger high-risk, high-value contracts at particular milestones and at the end of the contract. In particular, reports were sent to relevant financial delegates of outstanding contract reviews. The PRU also started reporting high-level trends and themes from completed reviews to identify areas for improvement.</li> </ul>

## Performance

Table 37 sets out DTF's performance in 2017–18, compared with the two previous years.

**TABLE 37: DTF'S PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	5.2	21.5	24.3	The higher percentage in 2017–18 is mainly driven by better market research and value-for-money awareness compared to the 2016–17 result.
2 Proportion of P-Card (or equivalent) transactions	11	12.3*	9.8	The use of P-Cards has declined over the past year, mainly due to the perception of risks related to procuring via P-Card. Corporate Finance, in consultation with the PRU, are seeking to promote using P-Cards with the introduction of the ERP Oracle cloud solution and controls to reduce the risks of P-Card purchases.
3 Increase in procurement capability	...	...	-4.3	Though the IPU noted improvements in capability, there are still areas to address in DTF to uplift performance.
4 Cost of procurement resources	0.4	0.3	0.6	Slight increase from 2016–17 attributed to adding another resource in the State Revenue Office's IPU and adding a temporary contractor in the PRU.
5 Successful supplier satisfied	90	67	91	Response rate increased from 21 to 34. DTF tried to capture more details from unsuccessful suppliers. Successful suppliers were mostly satisfied but unsuccessful satisfied fell by 14 per cent. DTF needs to improve the feedback and evaluation process to increase supplier satisfaction. The PRU promoted supplier briefings and feedback at the end of evaluations and gave procurers more information on how to conduct briefings.
Unsuccessful supplier satisfied	57	50	36	
6 Planned procurement activity	30	60.5	47.2	DTF monitors this performance measure monthly and continues to raise awareness of the importance of planning. A late funding allocation in the last quarter of 2017–18 was a primary driver for the decrease in this measure. The PRU will continue to push the importance of procurement planning by meeting with executive directors and coordinating with Corporate Finance for planning to align with funding allocations.

\*Amended from the 19.1 reported incorrectly in 2016–17.

### Activities planned for 2018–19

In 2018–19, DTF will:

- develop and implement a social procurement strategy for DTF, which will also serve as a model for other departments. This will include implementing enhanced procurement practices to increase expenditure with Aboriginal-owned businesses;
- implement improved and automated reporting to satisfy legislative requirements and management reporting, using the new tools available through the ERP launch;
- refresh and improve training to support probity, contract management and behavioural capability; and
- develop a change management plan to support DTF's transition to the ERP.



## CENITEX

CenITex is an information and communications technology (ICT) shared services agency, created with the aim of providing integrated and reliable ICT infrastructure, application hosting and desktop services for government departments and agencies.

### Procurement profile

CenITex's major categories of ICT procurement spend are hardware, software, data centre and telecommunications and corporate services.

Procurement is underpinned by a centre-led team of procurement experts who participate in all procurement activity. CenITex's procurement activity is typically aligned with a transactional/leveraged procurement profile, through the assessment of complexity across procurement subcategories in the major categories identified above.

Initial areas of focus for social procurement opportunities will be engaging with a wider range of social suppliers via the new social benefit supplier registers and seeking to engage for environmentally sustainable outputs and objectives in the acquisition of ICT infrastructure.

**AO:** Michael Vanderheide, Chief Executive

**CPO:** Jenny Lang, General Manager – Finance and Procurement, Finance and Business Services

**IPU Chair:** Sharon Copeland-Smith, Director, Strategy and Governance

### Compliance with VGPB policies and related activities

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

In 2016–17, CenITex contracted an external auditor to develop an audit report. Many compliance activities in 2017–18 were recommendations from this audit.

**TABLE 38: CENITEX'S COMPLIANCE ACTIVITIES IN 2017–18**

VGPB policy	Activities
Governance	<ul style="list-style-type: none"> <li>Revised the IPU (the Procurement Governance Committee) charter and membership to improve compliance with VGPB policies.</li> <li>Redrafted CenITex's procurement policy to better align with the VGPB framework.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>Where ICT subcategory level assessments are used in place of Procurement Initiation Documents, this is being better documented in approval records with alignment to Category Activity Plans (audit recommendation).</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>Improved value-for-money statements to ensure they represent how CenITex is achieving value for money (audit recommendation).</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>Improving the way CenITex documents path to market and associated vendor selection option details in approval records. Any pre-existing path/vendor selections aligned to Category Activity Plans are also being documented where applicable (audit recommendation).</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>No activities.</li> </ul>

## Performance

Table 39 sets out CenITex's performance in 2017–18. CenITex transitioned to the VGPB on 1 July 2017 so this is the first year of performance data.

**TABLE 39: CENITEX'S PERFORMANCE IN 2017–18**

Performance measure	Year 3 2017–18 %	Explanation
1 Value created	6.9	CenITex is constantly looking for savings and cost avoidance opportunities in its procurement activity and has been recording benefits information as part of both category and strategic supplier management structures for a number of years.
2 Proportion of P-Card (or equivalent) transactions	32.0	This result will be a baseline for subsequent years.
3 Increase in procurement capability	..	Capability measured at 113/150 (75.3 per cent) in 2017–18. CenITex is satisfied with this first year result, in particular related to governance and centralised development of contracts. Next year will bring a focus on improved business engagement and process documentation, supported by a proposed review of tools and technologies.
4 Cost of procurement resources	2.4	CenITex is transforming the procurement team to create greater capacity with existing resources, with increased capability development to improve its alignment to support the changing needs of the ICT industry.
5 Successful supplier satisfied	100	The results were based on a small sample size. CenITex is pleased that all successful suppliers were satisfied. CenITex will consider the areas of focus highlighted for improvement in the summary report as part of the overall drive to improve procurement processes.
Unsuccessful supplier satisfied	33	
6 Planned procurement activity	18.0	CenITex responds to the needs of its customer base, which depends on the evolving ICT industry. Most forward planning is for internally managed and funded projects. Procurement will actively engage with internal business units to explore opportunities to improve forecasting of procurement activities.

## Activities planned for 2018–19

In 2018–19, CenITex will:

- give all applicable buyers at CenITex access to the register of social benefit suppliers via VendorPanel;
- update invitation to supply documents and related market engagement documents to capture environmentally responsible and sustainable practice requirements as per Victoria's Social Procurement Framework;
- restructure the procurement team to create compliance and governance roles;
- restructure the category management and sourcing teams to create greater capacity with existing resources through multiskilling; and
- investigate requirements for a procurement system, including procure-to-pay and improved contract management functions.

## PUBLIC TRANSPORT VICTORIA

Public Transport Victoria (PTV) is a statutory authority that acts as a system authority for all public transport and an advocate for public transport users. PTV sits with VicRoads, VicTrack and V/Line and other agencies under Transport for Victoria in DEDJTR.

PTV works together with its partners to deliver a simpler, more coordinated transport system for Victoria. PTV's vision is to deliver a safe and inclusive public transport network that all Victorians choose to use.

### Procurement profile

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

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

- Corporate, facilities, IT and professional services expenditure, including engaging professional services for construction-related activities, come under the *Financial Management Act 1994* and VGPB governance.
- Franchise contracts are governed by DTF's High Value High Risk Investment Framework process for which PTV has developed a bespoke investment management lifecycle process to ensure governance of projects delivered by franchisees.
- Construction expenditure is subject to prescribed principles and procedures under Ministerial Directions 1 and 2 under Part 4 of the *Project Development and Construction Management Act 1994*.

PTV has a procurement framework with three stacks of expenditure to provide governance and procurement oversight for the above expenditure profiles.

**AO:** Jeroen Weimar, CEO, Office of the CEO

**CPO and IPU Chair:** Ken Tuke, CPO, Corporate Services

### Compliance with VGPB policies and related activities

Table 40 lists PTV's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

**TABLE 40: PTV'S COMPLIANCE ACTIVITIES IN 2017-18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>• The PTV Procurement Branch is performing the IPU function. To strengthen governance, PTV established the terms of reference and appointed Dean Tillotson, Executive Director Corporate Services as IPU Chair for the new Procurement Board.</li> <li>• Pledged to follow a three-year roadmap to align PTV's procurement function with ISO 20400 Sustainable Procurement Standard. PTV partnered with Good Environmental Choice Australia (GECA), a market leader in environmental certification, to help align with this Standard.</li> <li>• Developed a social procurement policy, strategy and implementation plan to support a strategic whole-of-organisation approach to benefiting and supporting the Victorian community.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• In response to feedback from procurers that buying goods and services was difficult and time consuming, PTV developed simpler templates, streamlined processes and provided best practice example documentation.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• In the recent safety and wellbeing tender, the evaluation criteria assessed how tenderers: <ul style="list-style-type: none"> <li>– treat staff responsibly and ethically through good labour policies and practices, such as occupational health and safety considerations; and</li> <li>– committed to facilitate employing disadvantaged community members through government procurement. Tenderers were asked to address or show their commitment to undertaking work to create social benefits for local communities and disadvantaged community members.</li> </ul> </li> <li>• Formalised PTV's social procurement policy in 2018.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• A system implementation and roll-out pre-end of 2018 will see the majority of market approaches occur in a source-to-contract management system, improving visibility, compliance and process transparency for all stakeholders.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Began implementing a new contract management framework with improved processes for training contract managers to be rolled out in late 2018.</li> </ul>

## Performance

Table 41 sets out PTV's performance in 2017–18. PTV gained accreditation to the VGPB supply policy framework on 1 January 2017, so this is the first year of reporting performance measures.

**TABLE 41: PTV'S PERFORMANCE IN 2017–18**

Performance measure	Year 3 2017–18 %	Explanation
1 Value created	0.2	Procurement savings are not significant but the Procurement Branch is making a concerted effort to announce savings to the Executive to highlight the importance. PTV anticipates higher savings in 2018–19.
2 Proportion of P-Card (or equivalent) transactions	19.7	PTV will use this baseline result to measure its performance in 2018–19.
3 Increase in procurement capability	..	Capability measured at 121/150 (80.7 per cent) in 2017–18. This will be used as a baseline for next year. The Procurement Branch rolled out capability training across the organisation. Staff in the procurement team attended Chartered Institute of Procurement & Supply Category Management training. The Procurement Branch is planning on introducing more sophisticated spend analysis and an e-procurement system in 2018–19.
4 Cost of procurement resources	0.7	PTV staffing is \$880 000 with a spend of \$120 million. Current staffing levels are lower than in past years with more innovation in the procurement process to meet demand.
5 Successful supplier satisfied	82	Work needs to focus on stakeholder engagement and opening a supplier communication channel.
Unsuccessful supplier satisfied	23	
6 Planned procurement activity	4.5	PTV had seven planned procurements out of 155 procurements valued at more than \$100 000.

## Activities planned for 2018–19

In 2018–19, PTV will:

- implement social procurement and update the IPU terms of reference to support the principles of Victoria's Social Procurement Framework and the Supplier Code of Conduct;
- introduce a mandatory procurement induction for all new employees;
- improve the contract management system; and
- implement a source-to-contract management module.

## VICROADS

VicRoads plans, develops and manages the arterial road network and delivers road safety initiatives and customer focused registration and licensing services. VicRoads' key role is to help provide Victorians with safe and easy connections to the people and places that matter most to them.

### Procurement profile

Procurement is considered a key function of VicRoads and in delivering its services. Each year, VicRoads undertakes \$1.9 billion of building and construction-related procurement (84 per cent) and \$370 million (16 per cent) of goods and services-related procurement across a broad range of categories.

VicRoads has a centre-led procurement function which looks after the procurement governance arrangements, including policies, procedures and systems. This function supports each business area to carry out procurement activities themselves.

The Procurement Services unit is managed by the CPO and works with the IPU (the Procurement Governance Committee) to improve procurement practice capability, assurance and compliance with VGPB policies. Its focus is on maintaining VicRoads' high standing as a government procurement organisation by ensuring probity, timeliness and value for money through its procurement activities.

VicRoads has 11 categories of goods and services spend with 56 subcategories. Most procurement spend utilises SPCs. The largest areas of goods and services spend are in the categories of professional services (27 per cent), people services (25 per cent) and ICT goods and services (24 per cent).

**AO:** Kerry Thompson, Chief Executive

**CPO:** Chris McNally, Director Procurement Services

**IPU Chair:** Louise Gartland, Executive Director, People, Culture and Strategy

In 2017–18, VicRoads established six new goods and services formal contracts with a whole-of-life value of \$63 million and created 7 147 new purchase orders with an approximate total value of \$302 million.

VicRoads has procurement plans for higher complexity and risk procurements to provide assurance that appropriate strategies and the correct procurement approach are applied. These plans are approved by the category manager or CPO as per VicRoads' governance arrangements.

### Compliance with VGPB policies and related activities

Table 42 lists activities completed by VicRoads to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped by VGPB supply policy, though activities often overlap with multiple policies.

**TABLE 42: VICROADS' COMPLIANCE ACTIVITIES IN 2017-18**

VGPB policy	Activities
Governance	<ul style="list-style-type: none"> <li>• Developed a social procurement policy, strategy, implementation plan and internal communications plan to broaden VicRoads approach to social procurement, so that its buying power generates social value above and beyond the value of the goods, services or construction being procured.</li> <li>• Ran supplier awareness and capability campaigns for industry, social enterprises, Aboriginal-owned businesses and disability enterprises through a series of briefings, presentations and early market capability assessments.</li> <li>• Continued to work with industry and community networks to identify and implement opportunities, in particular in relation to Traditional Owner Land Management Agreements, engaging with Social Traders, Supply Nation, Kinaway and BuyAbility, as well as GROW (Growing Regional Opportunities for Work) Geelong and Gippsland to address disadvantage in the regions.</li> <li>• Incorporated minimum participation and procurement clauses for Aboriginal-owned businesses, social enterprises and disability enterprises in pilot formal contracts and through second tiering with DTF SPCs.</li> <li>• The Procurement Governance Committee continued to give strategic oversight and endorsement to ensure procurements comply with VGPB principles and policies.</li> <li>• Developed an e-procurement strategy which includes implementing source-to-contract software as soon as possible. VicRoads prepared a business case on implementing a complete procure-to-pay system to replace the current pre-award system and to automate accounts payable and gave input to the WoVG Statement of Directions for Procurement Systems. In the meantime, VicRoads continued to improve its pre-award system, making it more user-friendly with better system controls, and the Contract Register System to capture more complete information and improve usability.</li> <li>• Ran a successful pilot to introduce an electronic form with an automated workflow, prefilling and approval process. These forms reduce manual data input, which helps users follow the correct process, streamlines authorisations and gives more accurate data.</li> <li>• Continued to develop, implement and review VicRoads' Procurement Assurance Program to identify procurement anomalies and progressively improve the integrity of procurement practices. This included activities such as using business intelligence reports and dashboards to measure progress, training staff on the purpose of the program, using Independent Broad-based Anti-corruption Commission (IBAC) reports and internal audit results to update the program, implementing an action plan to address IBAC's red flags of corruption, and talking to executives about the findings in their business area.</li> <li>• The Procurement Services unit increased face-to-face engagement with business areas on procurement processes and practices, identifying business improvement opportunities, procurement integrity issues and emerging issues. This was done by scheduling visits to major regional and metropolitan offices.</li> <li>• The VicRoads Community of Practice Group continued to work across the organisation with the intent of refining the category management approach, sharing information and improving end-to-end procurement processes and outcomes.</li> <li>• Completed a desktop review of modern slavery to understand what other organisations are doing to address modern slavery risks in their supplier chain, best practice approaches and what needs to be done to ensure VicRoads can manage these risks.</li> <li>• The Procurement Services unit continued to work with customers and stakeholders to identify and remove inconsistencies in policy and practice and unnecessarily bureaucratic processes that add little value.</li> </ul>

**TABLE 42: VICROADS' COMPLIANCE ACTIVITIES IN 2017-18 (CONT.)**

VGPB policy	Activities
Complexity and capability	<ul style="list-style-type: none"> <li>• Progressively updated the Procurement Capability Plan and implemented the following initiatives:               <ul style="list-style-type: none"> <li>– Staff completed individual capability self-assessments so that individuals, teams and business areas can understand their strengths, weaknesses and risks and identify opportunities to enhance procurement capability.</li> <li>– Developed new content and took on a new facilitator for the organisation's one-day Enhanced Procurement Services training course offered to new starters and others.</li> <li>– Delivered organisation-wide procurement and purchasing training with 25 sessions offered across 12 sites. VicRoads combined procurement, finance and accounts payable components into a single training session.</li> <li>– Provided procurement training for targeted procurement specialists on topics such as category management and developing category strategies, social procurement and negotiation.</li> <li>– Increased face-to-face engagement with business areas as mentioned above.</li> <li>– Some VicRoads procurement specialists attained formal procurement qualifications.</li> </ul> </li> <li>• Reviewed the online procurement toolkit, which contains all the information needed to support decentralised procurement – procedures, practices, templates and tools. When implemented, VicRoads will have a more user-friendly and updated system, which includes a Guided Buying Tool.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Continued to work on category management to deliver a more strategic approach to procurement, including improved understanding of external spend, segmenting suppliers into market sectors, developing category group strategies, enhanced supplier selection and improved supplier performance management.</li> <li>• Introduced business intelligence tools, including specific category management dashboards to support VicRoads' decentralised procurement approach, with timely and detailed dashboards outlining procurement spend for targeted categories and business areas.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Ran four supplier briefings across the state, with a formal presentation followed by time for suppliers to get help from specialist areas across VicRoads, including procurement.</li> <li>• Reviewed the costs and benefits of moving from the current operating lease approach to the finance lease approach under VicFleet. The organisation has since begun moving to VicFleet under the Motor Vehicle SPC.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Improved the contract management framework to ensure efficient and consistent contract management processes are applied across VicRoads.</li> </ul>



## Performance

Table 43 sets out VicRoads' performance in 2017–18.

**TABLE 43: VICROADS' PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	2.5	17.0	5.2	Savings may vary from year to year depending on the contracts established during the period. While savings did reduce from 2016–17, total spend also increased, giving a lower percentage of value created.
2 Proportion of P-Card (or equivalent) transactions	53	72.9	65.7	The number of P-Card transactions increased this year, but this is not reflected in the percentage of transactions due to an overall increase in the number of transactions under \$2 000.  VicRoads will review P-Card policies and continue to encourage appropriate use of purchasing cards in 2018–19.
3 Increase in procurement capability	...	1.0	1.0	VicRoads has numerous initiatives in progress to support the ongoing development of procurement capability.
4 Cost of procurement resources	1.3	1.7	1.6	Total contract spend increased from 2016–17, which explains the slight reduction in percentage of resource spend.  VicRoads operates a centre-led procurement function where the majority of procurement activities are carried out by business areas across the organisation. In many cases these positions include procurement as only part of their role and may incorporate a broad range of other responsibilities. Therefore, it is challenging to identify resources that spend at least 80 per cent of their time on procurement.
5 Successful supplier satisfied	88	88	88	VicRoads will review the results and develop an action plan to address concerns highlighted in the survey. The survey only had 12 unsuccessful suppliers' responses – a low sample size to determine genuine supplier satisfaction given that VicRoads undertakes an extensive number of procurements each year.
Unsuccessful supplier satisfied	40	25	25	
6 Planned procurement activity	39	42.5	22.6	Both the actual number of planned activities and overall number of transactions has increased from last year.  VicRoads will review the activities that were not included in the procurement activity plan to identify opportunities for improvement.

## Activities planned for 2018–19

In 2018–19, VicRoads will:

- continue to implement strategic social procurement to generate social value from its buying power;
- update and implement the supplier engagement plan (deferred from 2016–17);
- update and keep implementing the Capability Development Plan;
- implement an e-tendering system;
- continue working towards introducing a procure-to-pay system to replace the existing pre-award system;
- move the Guided Buying Tool to a better platform to make the most of the benefits identified in the toolkit review in 2017–18;
- continue to develop, implement and review the VicRoads Procurement Assurance Program to identify procurement anomalies and progressively improve the integrity of procurement practices;
- continue to use business intelligence tools to create comprehensive reports and dashboards for both procurement assurance and category management;
- improve the contract management framework to ensure consistent processes are applied across the organisation;
- continue to engage with business areas to increase the profile of procurement among other benefits;
- work with VicFleet to transition all vehicles to the Motor Vehicle SPC; and
- implement more electronic forms.

## VICTORIA POLICE

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

Victoria Police provides policing services to the Victorian community across 54 Police Service Areas, within 21 divisions and four regions – North West Metro, Southern Metro, Eastern and Western. These regional boundaries correspond with those of other Victorian Government departments, enhancing cross-department service delivery, particularly in the area of emergency management.

### Procurement profile

To deliver policing services, Victoria Police procures an extensive range of goods and services. Its Procurement Department operates under a category management framework.

In 2017–18, Victoria Police was managing in excess of 105 procurements (valued at \$100 000 or greater), including purchases from SPCs, for goods and services with a combined estimated contract value of \$364 million.

Significant sourcing activities in 2017–18 included transcription services, security services, police assistance line/online reporting and body worn cameras.

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

**CPO:** Byron Crawford, Director Procurement and CPO, Procurement Department

**IPU Chair:** Chris O'Farrell, Chair of the Police Procurement Board, Executive Services and Governance Department

### Compliance with VGPB policies and related activities

Table 44 lists Victoria Police's activities to ensure and improve compliance with VGPB supply policies. Compliance activities are grouped against VGPB supply policies, though activities often overlap with multiple policies.

**TABLE 44: VICTORIA POLICE'S COMPLIANCE ACTIVITIES IN 2017-18**

<b>VGPB policy</b>	<b>Activities</b>
Governance	<ul style="list-style-type: none"> <li>• Appointed a new CPO and confirmed the role under appropriate delegation.</li> <li>• The IPU (Police Procurement Board) met every month to oversee strategic procurements, manage procurement and contract risks and to ensure compliance with policy and process. Victoria Police changed the IPU membership and appointed a new IPU Chair.</li> <li>• Revised the process for tracking procurement and contract compliance to ensure expenditures are linked to the right contracts.</li> <li>• Continued with a staged review of procurement systems, tools, processes, policies and procedures, making improvements as required. This will be launched in 2018-19.</li> </ul>
Complexity and capability	<ul style="list-style-type: none"> <li>• Explored undertaking the Chartered Institute of Procurement &amp; Supply Australia Advanced Certification Program to support implementing a suite of process improvement activities.</li> <li>• Engaged a provider to develop a due diligence tool that consists of risk environment assessment, supplier due diligence assessment, and mitigations and actions across the four key domains of financial viability, insurance, probity and commercial.</li> <li>• Conducted extensive communication with stakeholders and continued delivering procurement presentations across the organisation to support compliance with VGPB supply policies.</li> </ul>
Market analysis and review	<ul style="list-style-type: none"> <li>• Closely examined the suggested market approaches in submissions to ensure that, where a competitive market existed, Victoria Police would leverage the competition to ensure value for money. Where sole supplier approaches were the only valid approach, appropriate benchmarking was undertaken to ensure value for money.</li> </ul>
Market approach	<ul style="list-style-type: none"> <li>• Included the Supplier Code of Conduct commitment letter in all market approaches over \$100 000 (incl. GST) and embedded the Code in the organisation's procurement policy.</li> </ul>
Contract management and disclosure	<ul style="list-style-type: none"> <li>• Victoria Police has 310 active contracts, managed by 120 contract managers. The combined value of these contracts is about \$2 billion. The organisation continued to conduct contract management training for contract managers throughout the year. The training program was revised in April 2018 and 60 contract managers have since been trained under the new program.</li> </ul>

## Performance

Table 45 sets out Victoria Police's performance in 2017–18 compared with the two previous years.

**TABLE 45: VICTORIA POLICE'S PERFORMANCE IN 2017–18**

Performance measure	Year 1 2015–16 %	Year 2 2016–17 %	Year 3 2017–18 %	Explanation
1 Value created	3.4	15.4	5.4	Victoria Police reviewed data from previous years and discovered that purchases from SPCs and variations to those purchases had been included in the total value created figure (cost savings and avoidance). The total contract spend was confirmed to be non-construction goods and services spend only. Processes have been amended to ensure the right spend is captured. Figures for 2015–16 and 2016–17 have been updated to reflect the corrected data.
2 Proportion of P-Card (or equivalent) transactions	2.4	3.0	2.9	P-Card usage has stayed the same, allowing for continued efficiencies and a reduced administrative burden for purchased items valued \$2 000 or less.
3 Increase in procurement capability	2	-11.4	-5.1	During this time of reform and with the development of new processes and tools, Victoria Police anticipated that capability assessments might decrease from the previous year as the capability uplift is being finalised for implementation in 2018–19.
4 Cost of procurement resources	0.9	2.4	0.7	Spend on procurement staff has decreased since 2016–17. Victoria Police is recruiting full-time procurement resources and investing in capability uplift and process re-engineering to improve efficiency.
5 Successful supplier satisfied	79	86	82	Supplier satisfaction decreased from the previous year, but there was a larger sample size and double the number of responses in 2017–18.
Unsuccessful supplier satisfied	57	0	0	No result for unsuccessful suppliers due to an insufficient sample size (only four respondents).
6 Planned procurement activity	74.0	85.2	74.2	At the start of 2017–18, Victoria Police planned to conduct 49 procurements. By the end of 2017–18, 66 procurements were actually conducted. Of the 49 that were planned, 28 were issued.

## Activities planned for 2018–19

In 2018–19, Victoria Police will:

- implement a due diligence tool;
- roll out its capability-focused procurement process improvement report;
- enhance its social procurement policy by implementing Victoria Police's social procurement framework/strategy; and
- include social procurement priority areas in annual procurement plans and add links and guidance on social procurement to invitation to supply documents. Depending on the scale and type of procurement, social procurement will also be incorporated into evaluation processes.

# APPENDIX

## SEPC DATA BREAKDOWN

Table 46 details the 36 SEPC contracts approved in 2017–18.

**TABLE 46: BREAKDOWN OF SEPCS APPROVED IN 2017–18**

Organisation	Total number	Title/description	Total estimated value (\$ million)	Contract term (yrs)	Options (yrs)	Complexity assessment outcome	Market approach method	Type of arrangement	No. of suppliers
Department of Environment, Land, Water and Planning	14	Drip torches for firefighting activities	\$0.1	1	..	Leveraged	RFQ	Closed	2
		Headlamps for DELWP firefighters and ground support crews	\$0.1	1	..	Transactional	RFQ	Closed	1
		Vehicle recovery kits and equipment	\$0.1	3	..	Leveraged	RFQ	Closed	2
		Tents	\$0.1	1	..	Transactional	RFQ	Closed	1
		Medical subject matter expertise for updating DELWP's medical framework	\$0.1	3	2x1	Transactional	RFQ	Closed	1
		Remotely piloted aircraft systems endurance panel	\$0.3	2	..	Focused	RFQ	Open	2
		Automatic fuel moisture monitoring network	\$0.5	5	..	Focused	RFT	Closed	1
		Electrolyte replacement fluid	\$0.5	2.5	..	Transactional	RFQ	Closed	1
		Transport hire – buses to transport personnel for fire suppression purposes	\$0.5	3	2x1	Transactional	RFT	Closed	11
		Environmental auditors panel	\$1.0	1.5	..	Transactional	RFT	Closed	7
		Assurance services panel	\$2.9	3	..	Transactional	RFT	Closed	8
		Personal protective clothing for firefighters	\$4.0	3	..	Strategic	RFT	Closed	1
		Statewide labour hire panel	\$5.0	3	..	Leveraged	RFT	Closed	3
		Statewide emergency event catering panel	\$9.0	5	..	Transactional	RFT	Closed	3

**TABLE 46: BREAKDOWN OF SEPCS APPROVED IN 2017–18 (CONT.)**

Organisation	Total number	Title/description	Total estimated value (\$ million)	Contract term (yrs)	Options (yrs)	Complexity assessment outcome	Market approach method	Type of arrangement	No. of suppliers
<b>Department of Health and Human Services</b>	4	Meningococcal W vaccine	\$5.6	2	..	Leveraged	RFQ	Closed	1
		Solution development panel	\$10.0	2	..	Strategic	RFQ	Closed	25
		Learning, coaching and organisational development panel	\$10.0	3	2x1	Leveraged	RFT	Closed	94
		Personal Alert Victoria	\$112.1	5	2x2	Strategic	RFT	Closed	1
<b>Department of Economic Development, Jobs, Transport and Resources</b>	1	Specialist advisory services	\$42.3	3	2	Strategic	RFT	Closed	34
<b>Victoria Police</b>	17	Baseball caps	\$0.1	3	2	Transactional	RFQ	Closed	1
		Rifles and accessories	\$0.2	3	2	Transactional	RFT	Closed	1
		Gunshot residue particle identification system	\$0.3	2	..	Transactional	RFQ	Closed	1
		Ballistic testing of operational, training and tactical ammunition	\$0.3	1	..	Focused	RFQ	Closed	1
		Digital radio upgrade program – antennas and associated hardware	\$0.4	3	..	Transactional	RFQ	Closed	1
		Occupational health and safety services	\$0.4	2	2	Transactional	RFT	Closed	3
		Victoria Police Kokoda Project – Community engagement project to improve relations between police and youth	\$0.5	1	2	Transactional	RFQ	Closed	2
		Staff allocation model	\$0.8	3	..	Transactional	RFQ	Closed	1
		SAP holster and accessories	\$0.8	1	1	Transactional	RFQ	Closed	1
		Speed detector certification services	\$1.0	2	2	Transactional	RFT	Closed	1
		Oleoresin Capsicum products and distraction devices	\$1.0	2	1	Transactional	RFT	Closed	1
		First aid training services	\$1.6	3	2	Transactional	RFT	Closed	1
		Metalware and insignia	\$1.8	3	2	Transactional	RFT	Closed	3
		Automated DNA processing equipment	\$3.5	3	..	Transactional	RFT	Closed	3
		Employee assistance program	\$5.8	3	2	Leveraged	RFT	Closed	2
		Transcription services	\$14.5	3	2	Transactional	RFT	Closed	1
		Regional impoundment towing services	\$16.9	3	2	Leveraged	RFT	Closed	52
<b>Total</b>	<b>36</b>								

RFQ = Request for quote; RFT = Request for tender

# ACRONYMS

<b>AO</b>	<b>Accountable officer</b>	<b>ICT</b>	<b>Information and communications technology</b>
<b>ASR</b>	<b>Annual supply report</b>	<b>IPU</b>	<b>Internal procurement unit</b>
<b>CPO</b>	<b>Chief procurement officer</b>	<b>IT</b>	<b>Information technology</b>
<b>DEDJTR</b>	<b>Department of Economic Development, Jobs, Transport and Resources</b>	<b>MTIP</b>	<b>Major Transport Infrastructure Program</b>
<b>DELWP</b>	<b>Department of Environment, Land, Water and Planning</b>	<b>PPE</b>	<b>Personal protective equipment</b>
<b>DET</b>	<b>Department of Education and Training</b>	<b>PTV</b>	<b>Public Transport Victoria</b>
<b>DHHS</b>	<b>Department of Health and Human Services</b>	<b>RFQ</b>	<b>Request for quotation</b>
<b>DJR</b>	<b>Department of Justice and Regulation</b>	<b>RFT</b>	<b>Request for tender</b>
<b>DPC</b>	<b>Department of Premier and Cabinet</b>	<b>SEPC</b>	<b>Sole entity purchase contract</b>
<b>DTF</b>	<b>Department of Treasury and Finance</b>	<b>SPC</b>	<b>State purchase contract</b>
<b>EOI</b>	<b>Expression of interest</b>	<b>VGPB</b>	<b>Victorian Government Purchasing Board</b>
<b>ERP</b>	<b>Enterprise Resource Planning</b>	<b>WoVG</b>	<b>Whole of Victorian Government</b>
<b>GST</b>	<b>Goods and services tax</b>		

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

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