

Victorian Government Purchasing Board

Strategic Plan 2016 – 2021

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Supply policies are made by the Victorian Government Purchasing Board (VGPB) pursuant to s54L of the *Financial Management Act 1994*. They have legislative force and must be complied with.

This new supply policy only applies to departments approved for transition by the VGPB. The current supply policy framework will run concurrently with new supply policies until all departments have transitioned to the new supply policy framework.

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Contents

1.	Introduction from the Chair	1
2.	About the VGPB	2
3.	Vision and Mission	2
4.	Functions	2
5.	Scope of VGPB policies	3
6.	Key Strategic Priorities for 2016 – 2021	4
	Strategic Priority 1: Embed and enhance VGPB supply policies.....	5
	Strategic Priority 2: Develop and implement a procurement capability strategy across people, processes and systems	7
	Strategic Priority 3: Engage with suppliers and the market to improve doing business with the Victorian public sector.....	8
	Strategic Priority 4: Broaden the VGPB’s impact on Victorian public sector procurement	9
	Strategic Priority 5: Measure the benefits of the VGPB’s procurement framework.....	10
7.	Next Steps.....	12

1. Introduction from the Chair

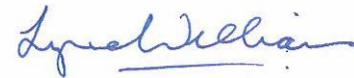
In February 2013, the VGPB introduced a new policy framework which seeks to improve the way organisations procure goods and services from the market. The framework emphasises good governance, accountability and strategic planning. It elevates the procurement function to align with each organisation's broader business strategy, but is also flexible enough to allow each organisation to develop a long-term strategy suited to its unique procurement profile. Of course, the success of the framework will be determined by organisations' adoption of the policies. We hope this new framework has provided organisations with the accountability and flexibility to deliver projects unique to their specific procurement profile needs.

Our March 2016 strategic planning day gave the Board the opportunity to take a longer-term focus and look at the strategic priorities for the next five years. The day was informed by feedback from Chief Procurement Officers (CPO) to assist the Board in better understanding the needs of organisations. This important stakeholder engagement has enabled the Board to develop a strategic plan that will focus on building a more collaborative framework with stakeholders into the future.

The strategic plan covers five key strategic priorities:

1. Embed and enhance VGPB supply policies
2. Develop and implement a procurement capability strategy across people, processes and systems
3. Engage with suppliers and the market to improve doing business with the Victorian public sector
4. Broaden the VGPB's impact on Victorian public sector procurement
5. Measure the benefits of the VGPB's procurement framework

The strategic priorities take into account where CPOs would like the VGPB to take a stronger role, especially in terms of building procurement capability across people, processes and systems. The VGPB will also play an active role as a catalyst to support innovation across organisations' procurement activity, to work with stakeholders to drive more value across the Victorian Government.



(Dr) Lynne Williams
Chair, Victorian Government Purchasing Board

2. About the VGPB

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

3. Vision and Mission

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

The VGPB's mission is to ensure government:

develops procurement capability;

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

4. Functions

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

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

5. Scope of VGPB policies

The VGPB's policies apply to the following Victorian Public Sector (VPS) bodies:

- government departments and specified entities;
- administrative offices or bodies specified in Section 16(1) of the *Public Administration Act 2004*; and
- the Victorian Public Service Commission.

Under section 54AA of the FMA, the Governor in Council may declare by Order that VGPB policy also applies to an entity or class of entities. VicRoads was granted VGPB accreditation effective 1 July 2015 and is now a specified entity under the scope of the VGPB. Public Transport Victoria has also begun its accreditation process with the VGPB and is expected to also complete this during the course of 2016.

Victorian Government public service bodies bound by VGPB policies

	Public service body	
Departments	Economic Development, Jobs, Transport and Resources	
	Education and Training	
	Environment, Land, Water and Planning	
	Health and Human Services	
	Justice and Regulation	
	Premier and Cabinet	
	Treasury and Finance	
	Offices and bodies	Chief Commissioner of Police in relation to Victoria Police
		Essential Services Commission
Game Management Authority		
Independent Broad-Based Anti-Corruption Commission		
Infrastructure Victoria		
Office of Public Prosecutions and Associate Crown Prosecutors		
Office of the Commissioner for Environmental Sustainability		
Office of the Commissioner for Children and Young People		
Office of the Freedom of Information Commissioner		
Office of the Legal Services Commissioner		
Office of the Ombudsman		
Office of the Commissioner for Privacy and Data Protection		
Office of the Road Safety Camera Commissioner		
Taxi Services Commission		
Victorian Auditor-General's Office		
Victorian Commission for Gambling and Liquor Regulation		
Victorian Electoral Commission		
Victorian Equal Opportunity and Human Rights Commission		
Victorian Inspectorate		
Victorian Responsible Gambling Foundation		
Other	VicRoads	
	Victorian Public Sector Commission	

6. Key Strategic Priorities for 2016 – 2021

The VGPB has historically established a set of annual strategic priorities aligned to its vision and mission. These strategic priorities have in turn been supported by a set of agreed projects and initiatives each year.

Through the development of this new five year strategic plan, the VGPB has established a set of longer-term strategic priorities. Each of these strategic priorities is supported by a suite of initiatives which will be progressively implemented commencing from 1 July 2016.

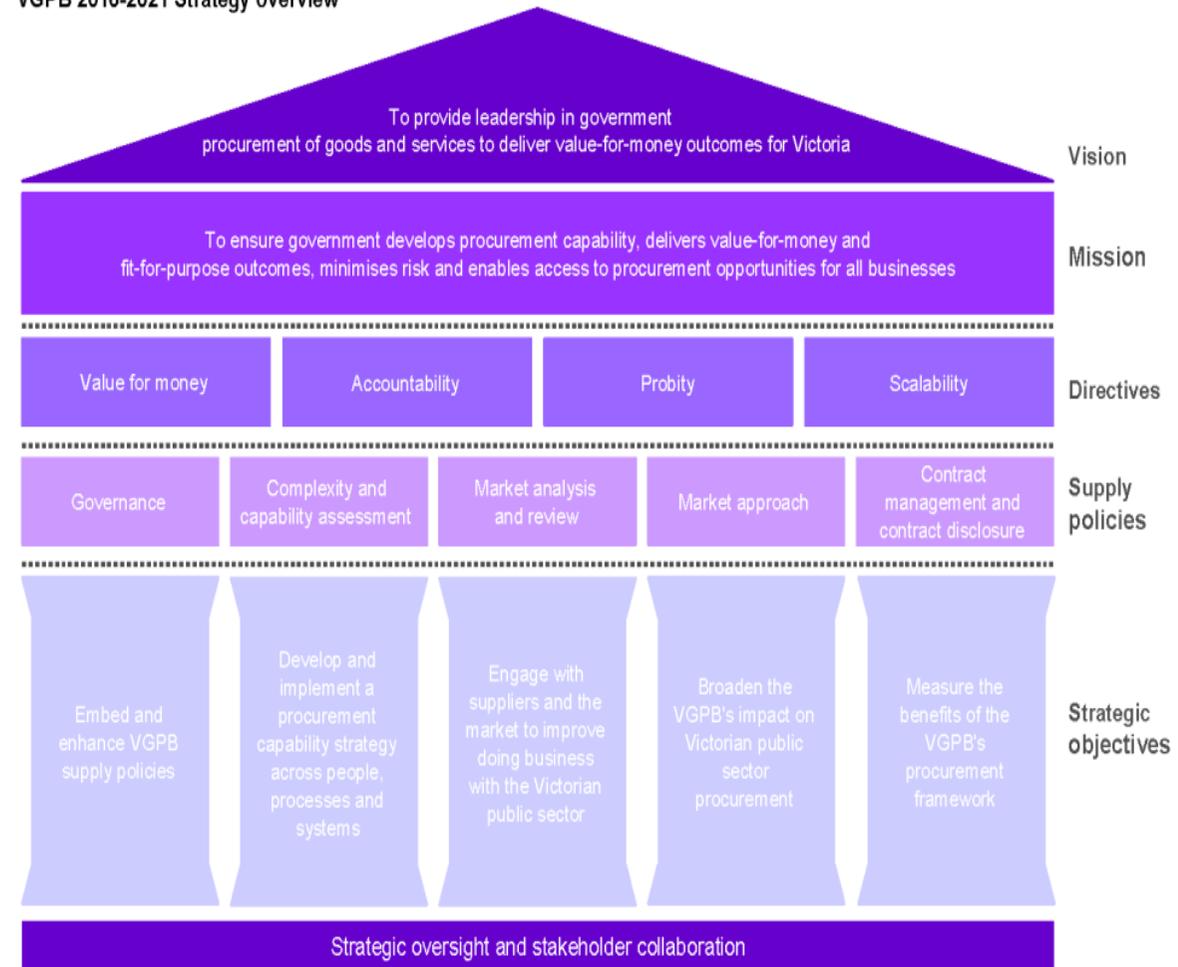
The strategy diagram opposite shows the alignment of each strategic priority with the VGPB’s vision, mission, directives and supply policies.

The VGPB’s five strategic priorities are:

1. Embed and enhance VGPB supply policies
2. Develop and implement a procurement capability strategy across people, processes and systems
3. Engage with suppliers and the market to improve doing business with the Victorian public sector
4. Broaden the VGPB’s impact on Victorian public sector procurement
5. Measure the benefits of the VGPB’s procurement framework

The following pages provide further detail on each strategic priority, the proposed initiatives to achieve them, and how success will be measured.

VGPB 2016-2021 Strategy overview



Strategic Priority 1: Embed and enhance VGPB supply policies

Supporting initiatives	Timing					Measures of success
	2016-17	2017-18	2018-19	2019-20	2020-21	
<p>1.1 Clarify and communicate the core goals, policies and philosophy of the VGPB's procurement framework and reforms to public sector bodies</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Implement a strategic stakeholder engagement program for senior Government stakeholders with a particular emphasis on building relationships with CPOs and enhancing policies • Philosophy and goals approved by VGPB and communicated to public sector organisations via the VGPB annual report • Implement a periodic survey for participating public sector organisations to measure policy awareness • Implement a supplier survey to identify key areas for future enhancements • VGPB policies updated over time to reflect supplier feedback and input 						<ul style="list-style-type: none"> • Improved levels of policy awareness evident over time • Increase in Victorian public sector procurement capability over time

<p>1.2 Continue the VGPB's strategic oversight program</p>						<ul style="list-style-type: none"> • Evidence of benefits gained by organisations and the Government from the VGPB's procurement oversight function • Successful adoption and application of the VGPB's procurement framework and policies
<p>1.3 Complete environmental scan to identify good practice procurement (e.g., in supplier engagement) to inform future policies and build procurement capability</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Environmental scan completed • Better practices documented and shared with public sector bodies 						<ul style="list-style-type: none"> • Victorian public sector organisation's take-up and adoption of better practices over time
<p>1.4 Fully implement the VGPB's Audit Program and use findings to inform future policy enhancements and capability development</p>						<ul style="list-style-type: none"> • Audit program demonstrates organisations are effectively adopting the VGPB's policies • Audit findings used to inform and prioritise future policy development and enhancement needs
<p>1.5 Expand the VGPB's strategic oversight role (e.g. of SPCs and whole-of-government procurement categories)</p> <p>Key Actions/Milestones:</p> <ul style="list-style-type: none"> • Government approval to expand oversight scope and coverage 						<ul style="list-style-type: none"> • Evidence of benefits gained by organisations and the Government from the VGPB's procurement oversight function

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

Supporting initiatives	Timing					Measures of success
	2016-17	2017-18	2018-19	2019-20	2020-21	
<p>2.1 Undertake procurement capability gap analysis in partnership with Victorian public sector organisations to identify significant common capability gaps across organisations, including root causes. Hold joint CPO meetings and workshop to validate gaps.</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Capability gap analysis completed 						<ul style="list-style-type: none"> • Demonstrated improvement in Victorian public sector procurement capability over time
<p>2.2 Prioritise capability improvement opportunities across people, processes and systems in conjunction with organisations to identify and implement quick wins.</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Prioritised holistic program of improvement opportunities developed and approved 						<ul style="list-style-type: none"> • Demonstrated improvement in Victorian public sector procurement capability over time • Increased collaboration, mentoring and peer to peer learning
<p>2.3 Complete necessary planning, then implement agreed medium to longer term capability improvement projects with organisations.</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Improvement opportunities successfully implemented within agreed timeframes 						<ul style="list-style-type: none"> • Demonstrated improvement in Victorian public sector procurement capability over time

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

Supporting initiatives	Timing					Measures of success
	2016-17	2017-18	2018-19	2019-20	2020-21	
<p>3.1 Establish a process to analyse in-scope organisations supplier feedback in conjunction with CPOs to identify opportunities to improve supplier engagement, market participation and inform future policy development.</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Supplier feedback collected and assessed • Opportunities for improvement identified and actioned 						<ul style="list-style-type: none"> • Improvement in overall level of supplier satisfaction over time • Improved value created as a consequence of Victorian public sector goods and services procurement activity amongst in-scope organisations
<p>3.2 Implement targeted program to engage with relevant peak industry bodies to discuss future policy needs and improve procurement practices.</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Program established 	Planning phase					<ul style="list-style-type: none"> • Improvement in overall level of supplier satisfaction over time • Improved clarity of government's role in procurement • Improved clarity of supplier's role in procurement
<p>Key actions/milestones:</p> <ul style="list-style-type: none"> • Pilot projects identified and approved • Pilot projects completed in accordance with agreed timeframes 	Planning phase					<ul style="list-style-type: none"> • Number and quality of pilot projects completed over time • Increase in Victorian public sector goods and services procurement capability of in-scope organisations over time • Improved ability to specify and measure impact/outcomes as distinct from inputs, process and requirements

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

Supporting initiatives	Timing					Measures of success
	2016-17	2017-18	2018-19	2019-20	2020-21	
<p>4.1 Consolidate the governance of State Purchasing Contracts (SPCs) under the VGPB's oversight.</p> <p>Key Actions/Milestones:</p> <ul style="list-style-type: none"> Oversight of SPCs consolidated under the VGPB 						<ul style="list-style-type: none"> Improved value created as a consequence of Victorian public sector goods and services procurement activity of in-scope organisations Improved visibility of performance and usage of aggregated demand arrangements
<p>4.2 Develop prioritised program of future multi-organisation procurement opportunities (using SPCs or other forms of procurement models) in consultation with Victorian public sector organisations.</p> <p>Key Actions/Milestones:</p> <ul style="list-style-type: none"> Prioritised program developed and approved 						<ul style="list-style-type: none"> Improved value created as a consequence of Victorian public sector goods and services procurement activity of in-scope organisations Increase in planned procurement activity as a percentage of total contract spend
<p>4.3 Develop and implement program to broaden the types of public sector bodies and specified entities covered by the VGPB.</p> <p>Key actions/milestones:</p> <ul style="list-style-type: none"> Prioritised list of target Victorian public sector entities developed and approved 						<ul style="list-style-type: none"> Increase in the number of public sector entities covered by VGPB policies Increase in Victorian public sector procurement capability over time Decline in cost of organisation's procurement administrative resources as a percentage of total contract spend

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

Supporting initiatives	Timing					Measures of success
	2016-17	2017-18	2018-19	2019-20	2020-21	
<p>5.1 Measure the benefits from the VGPB's procurement policy framework and reforms (impact and outcomes) in respect to in-scope organisations.</p> <p>Key Actions/Milestones:</p> <ul style="list-style-type: none"> Methodology for measuring improved procurement and benefits developed and approved Methodology implemented and benefits reported 						<ul style="list-style-type: none"> Improved value created as a consequence of Victorian public sector goods and services procurement activity of in-scope organisations Increase in Victorian public sector procurement capability Increase in planned procurement activity as a percentage of total contract spend
<p>5.2 Measure the progress of out-of-scope Victorian public sector organisations in adopting the VGPB's procurement policies and framework.</p> <p>Key Actions/Milestones:</p> <ul style="list-style-type: none"> Establish annual public sector survey or reporting process to measure the level of VGPB policy awareness and adoption by out-of-scope organisations 	Planning phase					<ul style="list-style-type: none"> Increased levels of VGPB policy adoption as evidenced by findings from annual survey of out-of-scope Victorian public sector organisations
<p>5.3 Measure stakeholder satisfaction with the contribution and performance of the VGPB itself.</p> <p>Key Actions/Milestones:</p> <ul style="list-style-type: none"> Stakeholder and supplier satisfaction surveys designed and implemented 						<ul style="list-style-type: none"> Continual improvement in level of stakeholder and supplier satisfaction over time

<ul style="list-style-type: none"> Action plans developed and implemented to address feedback 						
<p>5.4 Measure Board and stakeholder satisfaction with the contribution and performance of the VGPB Secretariat.</p> <p>Key Actions/Milestones:</p> <ul style="list-style-type: none"> Board and stakeholder satisfaction survey designed and implemented Action plans developed and implemented to address feedback 						<ul style="list-style-type: none"> Continual improvement in the level of Board and stakeholder satisfaction over time

7. Next Steps

There are a number of critical next steps which need to occur in order to progress and operationalise the new strategic plan. These include reviewing and modifying the way the VGPB currently operates to ensure it is able to effectively lead and drive its new strategic priorities, and the various priority initiatives supporting these.

Specific actions which need to occur include the following:

- Develop a new model for engaging with CPOs and Internal Procurement Units. This is critical to leveraging the extended procurement expertise and resources which sit within organisations, and to providing the VGPB with greater direct visibility of organisations' procurement practices and capability. The new model should consider options for further formalising the working relationship with CPOs and IPU, rather than only focusing on the VGPB's governance, reporting and oversight relationship with organisations.
- Review and adjust the VGPB's forward meeting agenda and priorities to reflect the new strategic priorities, and the need for the Board to have sufficient time to focus on driving the strategy, rather than dealing with more transactional issues.
- Review the existing Board operating arrangements to ensure the current arrangements are appropriate to meet the priorities and mission of the Board.

Summary Work Plan for 2016-17

2016-17 will be the first year of implementing initiatives towards meeting the VGPB's Strategic plan 2016-21. The work plan will also include continuing initiatives from the 2015-16 strategic priorities and business as usual to meet regulatory requirements.

The first year will focus on developing strategies to meet the longer term objectives of the VGPB and implementing government priorities.

The VGPB will continue to embed the procurement reform supply policies, seek to broaden its impact on Victorian public sector procurement and build capability in procurement.

The VGPB seeks to consult and better engage with its stakeholders in the delivery of its initiatives.

1. Embed and enhance VGPB Supply policies

In February 2013, the VGPB introduced a new policy framework for the procurement of goods and services by Victorian government departments and some public bodies. The framework seeks to improve the way these organisations procure goods and services and emphasise good governance, accountability and strategic planning and seeks to elevate the procurement function to align with the broader organisational business strategy. However, it is flexible enough to allow each organisation to develop a long-term strategy suited to their unique procurement profile.

All organisations mandated by the VGPB policies have now transitioned to the new framework. The VGPB seeks to continue to embed and enhance its policy framework.

INITIATIVES FOR 2016-17

To achieve this priority we will:

- a. implement the VGPB's policy review recommendations in accordance with the Minister's request;
- b. implement a strategic stakeholder engagement program for senior stakeholders with a particular emphasis on building relationships with chief procurement officers and enhancing policies;
- c. establish clear goals and the philosophy of the VGPB and communicate this to the Victorian Public Sector(VPS);
- d. establish a periodic survey for participating public sector organisations to measure policy awareness;
- e. implement a supplier survey to identify key areas for future enhancements;
- f. continue the VGPB oversight program of strategic procurement undertaken by in-scope organisations (including expansion to SPCs); and
- g. implement year two of the VGPB audit program.

2. Develop and implement a procurement capability across people processes and systems

Good procurement saves money and creates efficiencies, freeing up resources for other priorities. It improves the delivery of services to the community and makes it easier for business to access government procurement opportunities.

The procurement reform seeks to improve the way government procures goods and services. It places the onus on the buyer to understand how best to manage the procurement process, how best to engage with the supplier market and for the organisation to align the skills required to manage the procurement (capability) with the requirements of the procurement activity (complexity).

Each organisation is required to have an appropriate level of procurement expertise, resources, systems and processes that enable procurement activities to be completed successfully. The VGPB's policy framework requires each organisation to undertake a capability assessment to inform their capability development plan.

The VGPB also has a role in assisting organisations with capability development through understanding barriers that impact organisations and in developing initiatives that can enhance and support organisations' capability development initiatives at a strategic level.

INITIATIVES FOR 2016-17

To achieve this priority we will:

- a. undertake a procurement capability gap analysis in partnership with in-scope organisations to identify significant common capability gaps and possible root causes;
- b. establish a capability development strategy based on the outcomes of the capability gap analysis;
- c. continue holding community of practice sessions for procurement practitioners in the Victorian Public Sector (VPS);
- d. continue enhancing existing guidance material based on feedback from stakeholders and aligned with broader industry good practice;
- e. continue to update tools and templates to comply with broader government legislative requirements and minimise duplication of effort; and
- f. collaborate with mandated organisations to establish a strategy to support moving towards an e-procurement platform.

3. Engage with suppliers and the market to improve doing business with the Victorian Public Sector

The procurement reform was focused on making it easier for suppliers to do business with government. The procurement reform framework focuses on upfront strategic planning to provide consistency in market approach and to give suppliers visibility of upcoming procurement opportunities.

The focus on strategic planning requires that organisations have an understanding of their suppliers and how to better engage with them. The VGPB too have a focus on identifying how to engage with suppliers and the market to improve the outcomes in which good procurement can be achieved.

INITIATIVES FOR 2016-17

To achieve this priority we will:

- a. establish a strategy to target programs to engage relevant peak industry bodies to discuss future policy needs and to improve procurement practices; and
- b. consult with organisations to identify opportunities to pilot new innovative procurement approaches to market through partnering with organisations for specific projects.

4. Broaden the VGPB's impact on Victorian public sector procurement

The VGPB policies are only applicable to the procurement of goods and services by government departments and some public bodies. Procurement for construction, hospital related goods and services, local government procurement and non-mandated government agencies are outside of its scope.

The VGPB through its Secretariat continues to broaden the VGPB's impact through ongoing consultation with other government procurement policy makers and through the provision of guidance material, community of practice forums and responding to queries.

The VGPB is committed to ensuring it continues to drive reform not only for the organisations within its scope but also to the broader VPS because much benefit can be achieved for the State as a whole.

INITIATIVES FOR 2016-17

To achieve this priority we will:

- a. consolidate the governance of SPCs under the VGPB's oversight program;
- b. engage with in-scope organisations to identify future multi-organisation procurement opportunities (using SPCs or other forms of procurement models);
- c. establish a guide to accreditation and a guide to benchmarking to provide guidance on aligning with the VGPB policy framework;
- d. continue to support and nurture out-of-scope organisations who want to align their procurement function with the procurement reform supply policy framework;
- e. continue providing community of practice forums for procurement practitioners from across the VPS;
- f. develop a communication strategy to manage out-of-scope entities; and
- g. continue to engage with broader government policy groups that use procurement as a leverage point.

5. Measure the benefits of the VGPB's procurement framework

The introduction of the procurement reform policy framework sort to achieve improvements in the way organisations procured goods and services. This was through:

- establishing governance structures that embedded procurement across the organisation and ensures alignment with business planning;
- placing a greater focus on upfront strategic planning to provide consistency in market approach and better value for money procurement decisions;
- ensuring better market engagement to inform the procurement strategy;
- making it easier for businesses to do business with government;
- improving supplier relationships; and
- ensuring all procurement decisions align with the four key principles of value for money, scalability, probity and accountability.

The VGPB seeks to measure the benefits being achieved by the introduction of the procurement reform.

INITIATIVES FOR 2016-17

To achieve this priority we will:

- a. refine the methodology to measure the benefits of the procurement policy framework;
- b. measure and report the progress of in-scope organisations;
- c. commence developing a methodology to measure the progress of out-of-scope VPS organisations in adopting the VGPB's procurement policy framework;
- d. measure stakeholder satisfaction with the contribution and performance of the VGPB itself; and
- e. measure Board and stakeholder satisfaction with the contribution and performance of the VGPB Secretariat.

6. Business as usual

As part of the VGPB's responsibility under the *Financial Management Act 1994*, certain work still needs to be undertaken as business as usual to ensure it meets regulatory requirements. Regulatory requirements ensure good governance and accountability.

As stipulated by the Victorian Public Sector Commission, good governance is essential to all public entities reputation and performance and to community confidence. It enables public entities to perform efficiently and effectively and to respond strategically to changing demand.

INITIATIVES FOR 2016-17

To achieve this we will:

- a. provide the Minister with an Annual Report on the VGPB's work and activities;
- b. report to the Minister on the outcomes of the VGPB's audit and performance measures programs;
- c. monitor organisational compliance with procurement reform supply policies;
- d. undertake Board member self-assessments; and
- e. respond to broader government regulatory frameworks such i.e. Victorian Auditor General's Office, Independent Broad-Based Anti-Corruption and Freedom of Information requests.

