



VGPB

2012

2013

**Annual Report** Achieving excellence in government procurement



### Victorian Government Purchasing Board Annual Report 2012–13

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As required by section 54M of the *Financial Management Act 1994*, this annual report describes the work and activities of the Victorian Government Purchasing Board from 1 July 2012 to 30 June 2013. This report has information about purchasing activity carried out by the eleven Victorian Government departments, Victoria Police and the State Services Authority.

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# CHAIR'S REPORT

**In 2012–13, the Victorian Government Purchasing Board (VGPB) published its new supply policy framework, marking the beginning of a period of transition to a new procurement framework for all Victorian Government departments.**

The release of the new supply policies demonstrates the VGPB's leadership in establishing a modern, best practice model for government procurement in Victoria. As departments transition to the new framework, they will begin publishing forward procurement plans on their websites. This will ensure greater transparency and better information on government procurement opportunities for business.

The VGPB also implemented several other projects to deliver the government's procurement priorities as summarised in the Assistant Treasurer's charter for the VGPB. These projects will contribute significantly to reducing red tape and the administrative burden on business.

The charter provided the impetus for the strategic priorities established by the VGPB in 2012–13. The VGPB will continue to work on the projects established under these priorities in 2013–14. These projects will better position departments to achieve more value from their procurement activities through simplified processes, greater competition and innovative market engagement models.

## Key strategic priorities for 2012–13

In 2012–13, the VGPB focused on a series of activities under the central theme of improving procurement outcomes for government. This included working with departments to implement its new supply policy framework and investigating opportunities related to:

- ensuring greater access to government procurement opportunities for business;
- enabling better use of market mechanisms; and
- improving procurement capability across government.

### Implementing the VGPB's new supply policy framework

In February 2013, the VGPB published five new supply policies to modernise and improve the procurement of goods and services across Victorian Government departments. The supply policies encapsulate the government's priorities for procurement: probity and transparency, value for money, equity for business and competitive markets. The VGPB also published good practice guides, tools and templates to help departments apply the policies consistently.

The new policy framework was informed by extensive consultation with key stakeholders including the Assistant Treasurer, the Parliamentary Secretary for Small Business, Mr Russell Northe, MP, industry representatives and departments.

### Communicating the reform

The VGPB rolled out a comprehensive communications strategy to government and industry stakeholders to publicise and explain the new supply policies. VGPB members played a vital role in championing procurement reform, engaging with departments' senior executives to ensure a common understanding of their responsibilities to lead reform within their organisations.

The VGPB wrote to a significant number of large outer budget agencies, encouraging them to benchmark their procurement processes against the new supply policies. Some agencies have already formally responded to the VGPB, confirming their intention to review their procurement processes in line with the VGPB's procurement reform objectives.

## Key strategic priorities for 2012–13 (cont.)

### Preparing the VGPB for transition

The new supply policy framework requires significant changes to the VGPB's operational arrangements, particularly the VGPB's critical role in ensuring departments' readiness to transition to the new procurement setting.

The VGPB held a strategic planning day in November 2012 to map its priorities for transition and to agree on an appropriate framework to review departments' transition progress. The VGPB adopted a two-stage review process:

- 1) Review each department's project and change management plans for transition.
- 2) Review each department's final procurement strategy and completed assessments (using the assessment tool developed by the VGPB in 2012) to determine each department's capability and readiness to operate under the new supply policies.

The VGPB completed stage one for all departments in May 2013. The VGPB was impressed by the extent of progress already achieved by several departments. This review also assured the VGPB that departmental planning was in line with the VGPB's policy objectives and proportional to each department's procurement profile.

Based on the results of stage one, and in consultation with departments, the VGPB developed a transition schedule to complete stage two reviews by August 2014.

The Department of Treasury and Finance (DTF) will be the first department to transition on 1 July 2013, along with its portfolio agencies: the State Revenue Office, the Essential Services Commission and the Victorian Competition and Efficiency Commission. The DTF Secretary, Mr Grant Hehir, attended the VGPB meeting in June 2013 to reinforce DTF's leadership and commitment to improving procurement outcomes for government and business. The VGPB is satisfied that DTF has developed a comprehensive procurement strategy and completed the assessment tool requirements to a high standard.

DTF's transition will be communicated to all stakeholders through both the DTF and VGPB websites, and will include the publication of DTF's forward procurement activity plan. In doing so, DTF will fulfil a key component of the VGPB's procurement reform agenda: providing greater transparency to business of government procurement opportunities.

While recent machinery of government changes will have an impact on the procurement function in several departments, the VGPB remains confident that all departments will transition by August 2014. The VGPB will continue to advise the Assistant Treasurer on the progress of each department's readiness to transition throughout stage two.

The administrative offices bound by VGPB policy are not required to complete the two-stage review process, but will need to apply the new policies by August 2014. The VGPB is particularly impressed with those offices that have already committed to an internal review of their procurement processes to ensure alignment with the VGPB's new mandatory policy requirements.

## Key strategic priorities for 2012–13 (cont.)

### Ensuring greater access to government procurement opportunities for business

In 2012–13, the VGPB worked on a number of short and longer-term initiatives to promote greater competition and ease of access to procurement opportunities for all businesses.

The VGPB had a key advisory role in developing prequalification arrangements for commonly purchased goods and services across government. This included contributing to the public consultation process to develop the eServices register (due for launch on 1 July 2013).

The VGPB also participated in the review and approval of several whole of government arrangements to remove the restriction on the number of qualified suppliers that can compete for government business in a particular category of good or service. The VGPB recognised the opportunity for these arrangements to deliver better value-for-money outcomes for government and enable more businesses to participate in a fair, open and competitive procurement process. When reviewing departmental procurement activity, the VGPB will continue to identify and recommend opportunities for government to open up more procurement to market competition.

In late 2012, the VGPB began developing new documents in consultation with departments on how to approach markets. The review group began by evaluating the current government tender and contract templates to identify and remove onerous and unnecessary administrative requirements. The VGPB also engaged the Victorian Government Solicitor's Office to ensure that new templates maintain appropriate probity standards and protocols. This project will continue in 2013–14.

### Enabling better use of market mechanisms

The VGPB's procurement reform aims to modernise government procurement with a focus on harnessing the full potential of the market to deliver innovative solutions to improve government service delivery and value-for-money outcomes.

In 2012–13, the VGPB researched alternative paths to market and the specific market conditions required to support these approaches. In some instances, alternative paths to market can deliver improved outcomes for government by providing better access to the market's full potential. The VGPB will develop communication activities to disseminate this information to departments in 2013–14.

Technology has great potential to streamline government procurement processes and improve government's relationship with business. In 2012–13, the VGPB began researching e-Procurement systems currently in use within and outside government. It also took on an advisory role to develop the e-tool to support the eServices register. The VGPB will continue to investigate and support the development of e-Procurement systems and their broader use across the Victorian Government.

## Key strategic priorities for 2012–13 (cont.)

### Improving procurement capability across government

In 2012–13, the Australasian Procurement and Construction Council (APCC) endorsed the VGPB's 2012–14 procurement training and capability strategy. The VGPB subsequently worked on a number of projects underpinning the strategy.

The VGPB engaged the State Services Authority (SSA) to provide expert advice on developing a whole of government procurement capability tool. The tool is designed to:

- assist managers with workforce planning, recruitment and assessing organisational procurement capability; and
- help individuals identify learning and skills development opportunities.

The SSA provided invaluable advice to ensure the capabilities and behaviours in the tool mirror its Victorian Public Service employment capability frameworks. The tool will be released in early 2014.

The VGPB also worked on several initiatives to ensure all levels of procurement staff have access to guidance on the new supply policies and can share information and experiences in capability development. This included:

- establishing an online forum for government users to access and share procurement training information;
- setting up a chief procurement officer forum; and
- continuing to hold procurement community of practice meetings.

The VGPB continues to be represented on the APCC's capability working group and associated leadership groups to ensure Victorian Government entities are kept informed of relevant inter-jurisdictional initiatives.

## Key strategic priorities for 2013–14

In 2013–14, the VGPB will continue to work with departments to deliver the government's procurement priorities as summarised in its charter.

The main focus for the year will be assessing departments' readiness to transition to the new procurement framework. The VGPB will also continue to work on projects started under the strategic priorities for 2012–13. The VGPB is satisfied that completing these projects will position the VGPB to fulfill its commitment to the Assistant Treasurer as articulated in the charter.

The release of the new supply policies demonstrates the VGPB's leadership in establishing a modern, best practice model for government procurement in Victoria. The VGPB will continue to engage with other jurisdictions to promote better procurement outcomes for government and to monitor national and international trends.

### Implementing the VGPB's new supply policy framework

As departments transition from the former to the new supply policy framework in 2013–14, the VGPB will maintain both frameworks in parallel until all departments have transitioned. The VGPB will review departmental procurement activity regularly, irrespective of their transition status. This review will look at the extent to which departmental procurement activity:

- supports delivery of government and organisational priorities;
- improves service delivery; and
- achieves savings and efficiencies.

The VGPB will also assess the extent to which departments are applying the VGPB's *Guide to value for money*. This guide enables departments to assess and measure value for money over the entire procurement lifecycle, including total cost of ownership. The VGPB will continue to review its risk management plan during the transition process, applying or modifying mitigation strategies as needed. The VGPB will incorporate additional mitigation strategies to address its post-transition role related to overseeing departmental procurement activity. This role includes monitoring how well departments apply the new policies and assessing delivery of the government's priorities for procurement.

When overseeing departmental procurement activity, the VGPB will examine whether departments have sufficiently identified risks and are actively managing risk through clearly articulated controls and appropriate governance. A best practice risk management approach encompasses potential risks that could affect procurement outcomes and service delivery, as well as risks that may arise during the procurement process. The VGPB will continue to promote risk management as an ongoing and evolving process that is critical to successful procurement outcomes.

### Ensuring greater access to government procurement opportunities for business

As departments transition to the new supply policies, the VGPB will ensure there are suitable communications to ensure all stakeholders—in particular suppliers and their representative bodies—are kept fully informed and have direct access to departments' procurement activity plans.

In 2013–14, the VGPB will finalise and release the new market approach documents. These documents aim to simplify specifications and contractual requirements for participating parties to remove any unnecessary regulatory burden on government and business.

As part of the ongoing review process, the VGPB will consult supplier groups and representatives, building on the VGPB's current engagement with the Industry Capability Network. The VGPB will develop a communications strategy to support the roll out of the new templates and encourage departments to adopt the new simplified format. The VGPB will also look into formalising use of the contracts across government.

The VGPB is confident that this project will address one of the central tenets of its procurement charter: that of simplifying procurement processes and reducing the administrative burden for both government and business.

The VGPB will continue to participate, through the APCC, in Free Trade Agreement negotiations with the Commonwealth's Department of Foreign Affairs and Trade. In 2013–14, the VGPB will support the APCC's development of a common position, agreed by all jurisdictions, to inform the Government Procurement Chapter of a new Trans-Pacific Partnership Agreement. This agreement encompasses eleven countries in the Pacific region. The VGPB will aim for the APCC to adopt a common position that is consistent with its procurement reform objectives.

## Key strategic priorities for 2013–14 (cont.)

### Enabling better use of market mechanisms

The VGPB's procurement reform supports departments engaging with markets to improve value-for-money outcomes. This can entail adopting alternative market approaches where departmental analysis indicates better outcomes can be achieved. Building on its research into alternative paths to market in 2012–13, the VGPB will continue to develop guidance material to support government's understanding and use of alternative market engagement models. These models stimulate competition, encourage innovation and support fair and transparent processes for business.

The VGPB will also explore opportunities to build on the outcomes of its research into developing a market-based framework aligned with its new supply policies. In 2012–13, DTF worked extensively on developing a market-based instrument for procurement. The VGPB will leverage this work and incorporate it into a suite of guidelines to help departments determine the optimal path to market. The VGPB will also continue its advisory role in reviewing departmental business cases which identify alternative paths to market, leveraging the expertise of VGPB members in developing and applying the theory which underpins market-based solutions.

### Improving procurement capability across government

The release of a new capability development tool in early 2014, in partnership with the SSA, will help departments assess organisational and individual procurement capability while adhering to the capabilities and behaviours set out in the SSA's public sector frameworks. The tool is designed to help departments take a more consistent approach to fulfilling their procurement capability requirements in line with their procurement profile.

The VGPB will consult chief procurement officers to ensure that the tool can be used across government, irrespective of an entity's procurement profile. The tool will be supplemented with guidance on the appropriate levels of accredited procurement training available. The SSA and the VGPB will encourage uptake of the tool, with additional guidance on procurement recruitment and workforce planning.

The VGPB, through its collaboration with the APCC, will also continue to identify opportunities to stimulate the market of training providers to meet increased demand across government for nationally recognised procurement qualification programs.

## Annual reporting in 2013–14

The VGPB has maintained a consistent set of annual reporting requirements over recent years to provide an overview of trends in government procurement activity.

The release of the new supply policies provides impetus to establish new annual reporting requirements that assess departmental performance against the new policy objectives. These new requirements will be implemented in 2013–14 and will include an assessment of:

- the VGPB's performance against priorities outlined in the procurement charter and its vision and mission;
- departments' transition progress; and
- the VGPB's role in providing more strategic oversight of major government procurement activity.

## Appreciation

On behalf of the VGPB, I would like to thank the Hon. Gordon Rich-Phillips MLC, Assistant Treasurer, for his support of the VGPB's new supply policies and progression of the 2012–13 strategic priorities. The VGPB appreciates the opportunity to meet with the Assistant Treasurer on an annual basis to discuss the government's priorities for procurement and the VGPB's performance in influencing the delivery of better procurement outcomes across government.

In 2012–13, the VGPB underwent a significant refresh of its membership to ensure sufficient capability to support implementation of its new supply policies. I would like to welcome new members Roger Cotton, Craig Rooney and Professor Nilss Olekalns. Their experience and expertise has proved an invaluable addition to the VGPB's review of government procurement activity, and strategic planning for departments' transition to the new supply policies. I would also like to extend my sincere thanks to all VGPB members for their support through what has been a particularly challenging and busy year.

The VGPB's work this year has again been facilitated by the professional and committed work of the VGPB Secretariat in DTF. Thank you also to all departments for their commitment to championing procurement reform in their own organisations and positioning themselves for transition to the new supply policies in the coming year.

I am particularly encouraged by the collaborative relationships between the VGPB, its Secretariat and its stakeholders, which positions all parties to support a successful transition to the new procurement framework and delivery of the government's priorities for procurement in Victoria. I look forward to a rewarding year ahead.



(Dr) Lynne Williams  
Chair, Victorian Government Purchasing Board

# 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 per year to develop and approve policies, approve major procurements from departments and discuss procurement policy and practice.**

## Vision

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

## Mission

The VGPB's mission is to ensure government:

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

# ABOUT THE VGPB

## 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 the management and disposal of goods by departments—
  - i. to develop, implement and review policies and practices; and
  - ii. to provide advice, staff training and consultancy services;
- b) to monitor departmental compliance 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 database of purchasing data of departments and supply markets for access by departments;
- e) any other functions conferred on the Board by this Part.

## Powers

The VGPB has the following powers under section 54C of the FMA:

1. The Board has all the powers necessary to perform its functions.
2. Without limiting subsection (1), the Board may—
  - a) enter into contracts or arrangements on its own behalf, on behalf of the State or on behalf of departments;
  - b) call and award tenders and advertise;
  - c) consider and approve requisitions for the purchase of goods and services by departments;
  - d) require accountable officers to audit departmental compliance with supply policies and Ministerial directions and provide audit reports to the Board;
  - e) require accountable officers to provide information and data relating to the supply of goods and services and the management and disposal of goods;
  - f) exercise any other powers conferred on the Board by this Act or the regulations.
3. An accountable officer must provide to the Board on request:
  - a) audit reports referred to in subsection (2) (d);
  - b) information and data referred to in subsection (2) (e).

# ABOUT THE VGPB

## Scope of VGPB policies

The VGPB's policies apply to all government departments and the State Services Authority. Under the FMA, department means—

- a) a department within the meaning of the *Public Administration Act 2004*; and
- b) an office specified in section 16(1) of that Act.

Table 1 lists the offices defined in section 16(1) of the *Public Administration Act 2004*.

**Table 1: Offices bound by VGPB policies**

### Offices bound by VGPB policies

Office of Public Prosecutions
Office of the Chief Commissioner of Police (Victoria Police)
Office of the Commissioner for Children and Young People
Office of the Commissioner for Environmental Sustainability
Office of the Essential Services Commission
Office of the Fire Services Levy Monitor
Office of the Freedom of Information Commissioner
Office of the Independent Broad-Based Anti-Corruption Commission
Office of the Legal Services Commissioner
Office of the Ombudsman
Office of the Privacy Commissioner
Office of the Road Safety Camera Commissioner
Office of the Taxi Services Commission
Office of the Victorian Commission for Gambling and Liquor Regulation
Office of the Victorian Electoral Commission
Office of the Victorian Inspectorate
Office of the Victorian Responsible Gambling Foundation
Victorian Auditor-General's Office
Victorian Equal Opportunity and Human Rights Commission

Note: These offices do not report directly to the VGPB, but operate through their portfolio department.

## Accreditation and process approval

Currently, the VGPB accreditation process delegates procurement approval authority to a department through the establishment of an accredited purchasing unit (APU) to manage the procurement process in compliance with VGPB policies. The accreditation process allows the APU to oversee the procurement process and to note, endorse or approve purchases up to an accreditation level agreed by the VGPB. Purchases above a department's accreditation level are referred to the VGPB for approval. The VGPB and APUs assess purchases in line with the requirements of the FMA and VGPB supply policies.

Tables 2 and 3 list the accreditation tiers and APU accreditation levels in 2012–13.

This accreditation process no longer exists under the VGPB's new supply policy framework. Departments will submit a transition plan for the VGPB's approval, demonstrating organisational capability to comply with the new supply policy requirements. Once approved for transition, departments will no longer submit procurements for approval to the VGPB based on dollar value. The VGPB will maintain oversight of highly complex and high-risk procurements.

The VGPB monitors compliance with procurement policies through the annual supply report, a report completed at the end of each financial year by departments for the VGPB. The annual supply report will continue to be a requirement for departments under the VGPB's new policy framework.

# ABOUT THE VGPB

## Accreditation and process approval (cont.)

**Table 2: Accreditation tiers in 2012–13**

Accreditation tier	Purchase value limit
Tier 1	up to \$1 million
Tier 2	up to \$10 million
Tier 3	up to \$50 million
Tier 4	unlimited

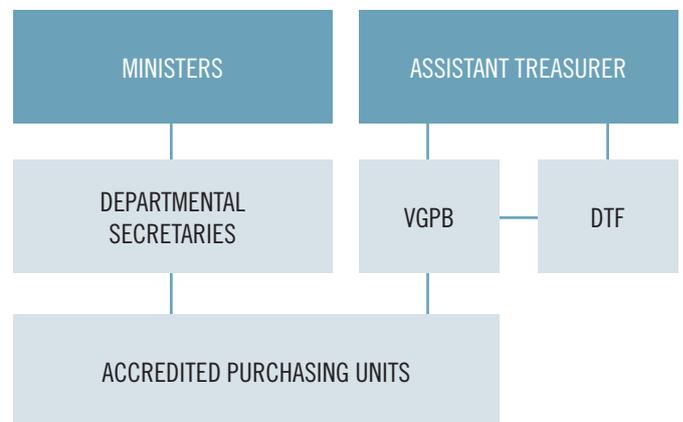
**Table 3: APU accreditation levels, 30 June 2013**

Accreditation level	Department
Tier 1	Education and Early Childhood Development Planning and Community Development Premier and Cabinet State Development, Business and Innovation <i>(formerly Business and Innovation)</i> State Services Authority Treasury and Finance Victoria Police
Tier 2	Environment and Primary Industries <i>(formerly Sustainability and Environment)</i> Health Human Services Justice Primary Industries Transport, Local Planning and Infrastructure <i>(formerly Transport)</i>

## Reporting relationship

The VGPB reports to the Assistant Treasurer. The Department of Treasury and Finance (DTF) provides secretariat and other support to the VGPB. DTF has a direct reporting line to the Assistant Treasurer on procurement and contracting issues. Departments are required to report to the VGPB each year on their procurement activities. Figure 1 illustrates this relationship.

**Figure 1: VGPB reporting relationship**



# ABOUT THE VGPB

## VGPB members

The VGPB currently has seven members. Six members, including the Chair, are external appointees and one appointee is from a government department. Board members are selected based on their experience and expertise in procurement-related matters.

**Table 4: VGPB members in 2012–13**

Title	Name	Background and expertise	Meetings attended	Appointed
Chair	(Dr) Lynne Williams	More than 25 years experience in the state and federal public sector, assuming several senior executive roles specialising in economic policy.  Dr William's most recent appointment was as Under Secretary at the Department of Treasury and Finance (DTF), which followed a four-year term as Deputy Secretary of Economic and Financial Policy at DTF.	7 out of 8	4 October 2011
External appointees	Roger Cotton	Chair of InterPrac Financial Services Limited.  Mr Cotton's most recent appointments were founding Chief Executive Officer of the Australian Association of Accounting Technicians, Director of the Council of Small Business of Australia and Chief Executive Officer of the National Institute of Accountants.	7 out of 8	1 August 2012
	Neil Lucas	Extensive experience in governance, and strategic and operational management across the public sector, including Chief Executive Officer to the City of Berwick and Administrator of Christmas Island and the Cocos (Keeling) Islands. Mr Lucas is currently a board member of Holmesglen Institute.  Mr Lucas served as a member of the Victorian Parliament from 1996 to 2002.	8 out of 8	4 October 2011
	Professor Nilss Olekalns	Deputy Dean at the Faculty of Business and Economics at the University of Melbourne.  Professor Olekalns has previously held visiting academic appointments at the International Monetary Fund and the Monetary Authority of Singapore.	5 out of 7	1 October 2012
	Craig Rooney	Group Procurement Manager at Porter Davis Homes. Member of the Chartered Institute of Purchasing and Supply Australia.  Mr Rooney has previously held senior procurement management roles at CSR Sugar, Madison Cross Corporate Advisory and Coles Myer.	7 out of 7	1 October 2012
	Randall Straw	Extensive background in technology innovation, policy, planning and implementation with Victorian public sector agencies. Mr Straw is currently Chair of the Investment Committee at the Department of State Development, Business and Innovation (DSDBI).  Mr Straw's most recent appointment was Deputy Secretary for Innovation and Technology/Industry and Trade at DSDBI.	7 out of 8	1 October 2009
Government appointee	Marisa de Cicco	Executive Director of Strategic Policy and Legislation at the Department of Justice.  Experience in policy advice and development, procurement and contracting, and formulating strategy and legislation.	7 out of 8	1 October 2003

# ABOUT THE VGPB

## VGPB annual assessment

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

The assessment results in 2012–13 show that the VGPB is fulfilling its legislative functions. In 2011–12, all members noted the need to prioritise and progress implementing the new supply policy framework during 2012–13 to meet the VGPB's critical role to drive improvements in government procurement. The VGPB considers that it met this priority with the publication of policies in February 2013, strengthening the VGPB's strategic direction.

The appointment of new VGPB members also built the expertise required to implement its procurement reform agenda. Members agreed that constructive relationships have developed quickly and flourished.

Members also noted the importance of clearly defining and articulating the VGPB's role in supporting departments in the post-transition environment to deliver improvements in procurement outcomes.

# PROCUREMENT ACTIVITY IN 2012–13

This section provides information about departmental procurement activity for goods and services in the 2012–13 financial year. It covers:

**One-off supply approvals, including:**

- routine procurement approvals
- critical incident procurement approvals

**Standing offer agreements, including:**

- state purchase contracts
- sole entity purchase contracts

**Strategic procurement plans**

**Departmental procurement activity**

**Departmental compliance with VGPB policies**

**Accredited purchasing unit (APU) activities.**

## Procurement reporting

The annual supply reports provided by departmental APUs at the end of each financial year report on contracts above the \$150 000 public tender threshold. Contracts may have been approved by the APU or the VGPB (or both), depending on the value of the contract and the department's accreditation level.

Figures in the tables and in the text have been rounded.

Discrepancies in tables between totals and sums of components reflect rounding. This applies to all figures in the annual report.

## Changes to the annual report in 2012–13

In April 2013, the Victorian Government announced machinery of government changes affecting the naming and structure of several departments. Three departmental name changes were formalised on 9 April 2013:

- Department of Environment and Primary Industries (formerly Department of Sustainability and Environment)
- Department of State Development, Business and Innovation (formerly Department of Business and Innovation)
- Department of Transport, Local Planning and Infrastructure (formerly Department of Transport)

From 1 July 2013, these three departments will expand to include different portfolios from the Department of Primary Industries and the Department of Planning and Community Development.

In this annual report, departments have reported procurement activity under the departmental structure as at 30 June 2013, incorporating the new names listed above.

# PROCUREMENT ACTIVITY IN 2012–13

## One-off supply approvals

This section provides an overview of contracts relating to one-off supply and contract variations for goods and services approved in the 2012–13 financial year.

One-off supply approvals relate to the approval of the procurement process (to enter into a contractual arrangement with the selected supplier or suppliers). Actual expenditure occurs later and may occur over a number of financial years, depending on the nature of the contract.

The data includes variations but excludes standing offer agreements and critical incident procurement.

### One-off supply approvals by procurement process

In 2012–13, there were 409 procurement process approvals valued at \$534.7 million. The average number of procurement process approvals per year (based on the past five years) is 541, valued at \$1 231.3 million (see Table 5).

**Table 5: Number and value of one-off supply approvals by procurement process in 2012–13 compared with the five-year average**

	2012–13		Five-year average	
	Number	Value (\$M)	Number	Value (\$M)
Public tender	191	\$269.1	222	\$579.8
Exemption from public tender	20	\$18.5	29	\$23.8
Exemption from public tender and three quotes	82	\$56.8	104	\$331.8
Variations	116	\$190.3	186	\$295.9
<b>Total</b>	<b>409</b>	<b>\$534.7</b>	<b>541</b>	<b>\$1 231.3</b>

### Trends in one-off supply approvals by procurement process

There has been a downward trend in the total number and value of one-off supply approvals over the past five years, as shown in Tables 6 to 8 and Figures 2 to 4. This could be expected with the increasing focus on more strategic procurement arrangements such as standing offer agreements.

Total one-off supply approvals are at their lowest number and value in five years. Almost half of all one-off supply approvals went to public tender (46.7 per cent). This is the highest proportion of one-off supply contracts to go to public tender in the past five years.

There was a 23 per cent increase in the total value of variations compared to 2011–12. This is due to three variations over \$10 million as follows:

- The Department of Education and Early Childhood Education (DEECD) negotiated an exemption from the Microsoft state purchase contract to set up a new contract to take advantage of Microsoft's discount structure for schools. In 2012–13, DEECD negotiated a variation to this contract with improved licensing benefits up to 2017.
- The Department of Justice (DOJ) negotiated a seven-year variation with the supplier responsible for holding Victorian tenancy bonds due to low market interest.
- DOJ also negotiated a variation to the contract supplying the system for managing and enforcing traffic infringements. The variation built in new features and accommodated building a new system to manage the large increase in infringement notices.

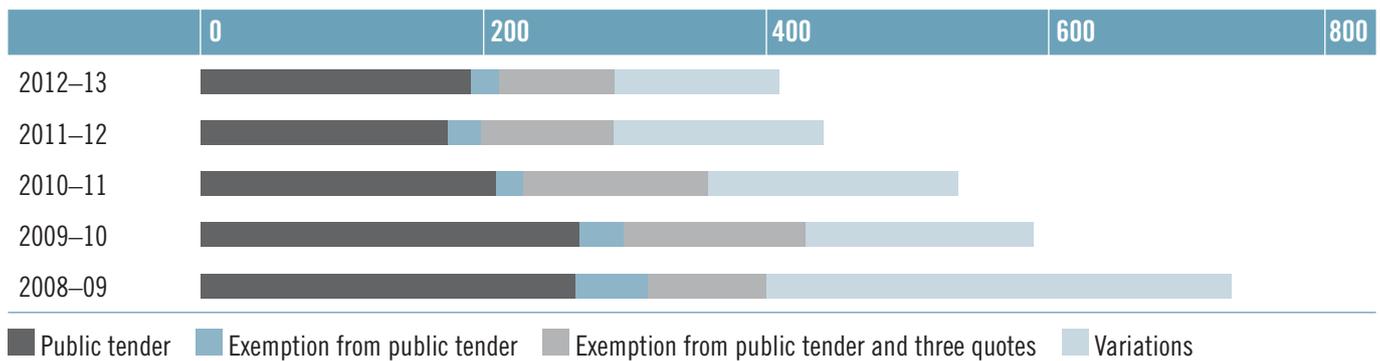
# PROCUREMENT ACTIVITY IN 2012–13

## One-off supply approvals (cont.)

**Table 6: Number of total one-off supply approvals by procurement process from 2008–09 to 2012–13**

Procurement process	2008–09	2009–10	2010–11	2011–12	2012–13
Public tender	265	268	209	175	191
Exemption from public tender	51	31	19	23	20
Exemption from public tender and three quotes	84	129	131	94	82
Variations	329	161	177	148	116
<b>Total</b>	<b>729</b>	<b>589</b>	<b>536</b>	<b>440</b>	<b>409</b>

**Figure 2: Number of total one-off supply approvals by procurement process from 2008–09 to 2012–13**



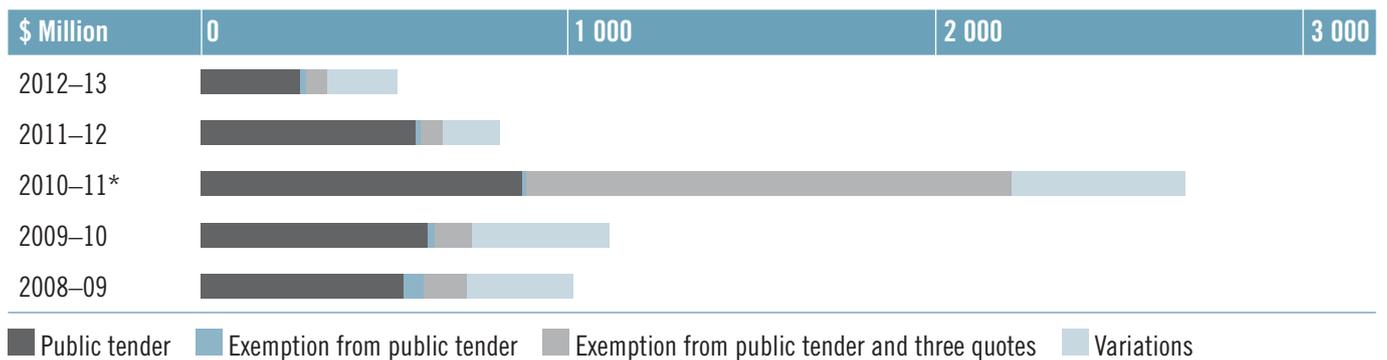
# PROCUREMENT ACTIVITY IN 2012–13

## One-off supply approvals (cont.)

Table 7: Value (\$M) of total one-off supply approvals by procurement process from 2008–09 to 2012–13

Procurement process	2008–09	2009–10	2010–11	2011–12	2012–13
Public tender	\$551.1	\$618.8	\$875.0	\$585.1	\$269.1
Exemption from public tender	\$56.3	\$18.4	\$12.0	\$13.8	\$18.5
Exemption from public tender and three quotes	\$118.8	\$101.3	\$1 321.5*	\$60.5	\$56.8
Variations	\$287.9	\$373.3	\$473.1	\$154.6	\$190.3
<b>Total</b>	<b>\$1 014.2</b>	<b>\$1 111.8</b>	<b>\$2 681.6*</b>	<b>\$814.1</b>	<b>\$534.7</b>

Figure 3: Value of total one-off supply approvals by procurement process from 2008–09 to 2012–13



\* Includes two negotiated contracts with a combined value of \$1 241.6 million.

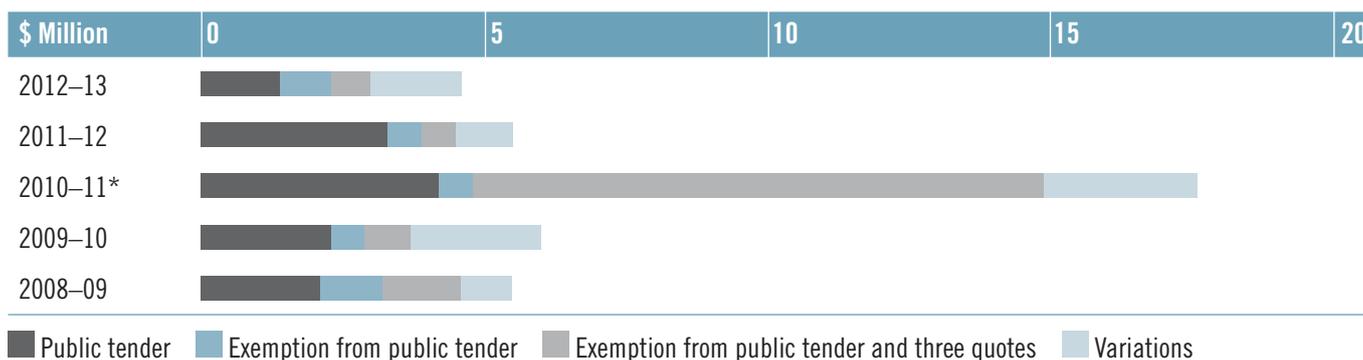
# PROCUREMENT ACTIVITY IN 2012–13

## One-off supply approvals (cont.)

**Table 8: Average value (\$M) of one-off supply approvals by procurement process from 2008–09 to 2012–13**

Procurement process	2008–09	2009–10	2010–11	2011–12	2012–13
Public tender	\$2.1	\$2.3	\$4.2	\$3.3	\$1.4
Exemption from public tender	\$1.1	\$0.6	\$0.6	\$0.6	\$0.9
Exemption from public tender and three quotes	\$1.4	\$0.8	\$10.1*	\$0.6	\$0.7
Variations	\$0.9	\$2.3	\$2.7	\$1.0	\$1.6
<b>All one-off supply approvals</b>	<b>\$1.4</b>	<b>\$1.9</b>	<b>\$5.0*</b>	<b>\$1.9</b>	<b>\$1.3</b>

**Figure 4: Average value of one-off supply approvals by procurement process from 2008–09 to 2012–13**



\* Includes two negotiated contracts with a combined value of \$1 241.6 million.

# PROCUREMENT ACTIVITY IN 2012–13

## One-off supply approvals (cont.)

### One-off supply approvals by goods and services

In 2012–13, there were 26 process approvals for goods valued at \$43.2 million, 258 process approvals for services valued at \$297.2 million, and nine process approvals for consultants valued at \$4.0 million. There were 116 variations valued at \$190.3 million.

The number and value of goods, services and variations is lower than the five-year average, whereas consultancies have remained fairly consistent (see Table 9).

Most variations related to contracts for services, as shown in Table 10. There were no variations related to consultancies.

Most one-off supply approvals were in the \$150 000 to \$500 000 range, accounting for 53.5 per cent of the total number. Only six one-off supply approvals exceeded \$10 million, that is, 1.5 per cent of the total number (see Table 11).

**Table 9: Number and value of one-off supply approvals by goods and services in 2012–13 compared with the five-year average**

	2012–13		Five-year average	
	Number	Value (\$M)	Number	Value (\$M)
Goods	26	\$43.2	46	\$166.3
Services	258	\$297.2	299	\$765.4
Consultancies	9	\$4.0	9	\$3.7
Variations	116	\$190.3	186	\$295.9
<b>Total</b>	<b>409</b>	<b>\$534.7</b>	<b>541</b>	<b>\$1 231.3</b>

**Table 10: Breakdown of variations into goods, services and consultancies in 2012–13**

	2012–13	
	Number	Value (\$M)
Goods	4	\$4.1
Services	112	\$186.3
Consultancies	0	\$0.0
<b>Total</b>	<b>116</b>	<b>\$190.3</b>

**Table 11: Number and value ranges of one-off supply approvals by goods and services in 2012–13**

	\$0–\$150 000	\$150 000–\$500 000	\$500 001–\$1M	\$1M–\$10M	> \$10M
Goods	–	14	7	4	1
Services	–	143	60	53	2
Consultancies	–	5	4	0	0
Variations	25	57	15	16	3
<b>Total</b>	<b>25</b>	<b>219</b>	<b>86</b>	<b>73</b>	<b>6</b>

Note: Departments do not report one-off supply approvals below the \$150 000 public tender threshold.

# PROCUREMENT ACTIVITY IN 2012–13

## One-off supply approvals (cont.)

### Trends in one-off supply approvals by goods and services

The number and value of goods and services is at the lower end of the five-year trend, as shown in Tables 12 and 13 and Figures 5 and 6.

**Table 12: Number of total one-off supply approvals by goods and services from 2008–09 to 2012–13**

	2008–09	2009–10	2010–11	2011–12	2012–13
Goods	50	80	37	38	26
Services	333	344	316	246	258
Consultancies	17	4	6	8	9
Variations	329	161	177	148	116
<b>Total</b>	<b>729</b>	<b>589</b>	<b>536</b>	<b>440</b>	<b>409</b>

**Figure 5: Number of total one-off supply approvals by goods and services from 2008–09 to 2012–13**



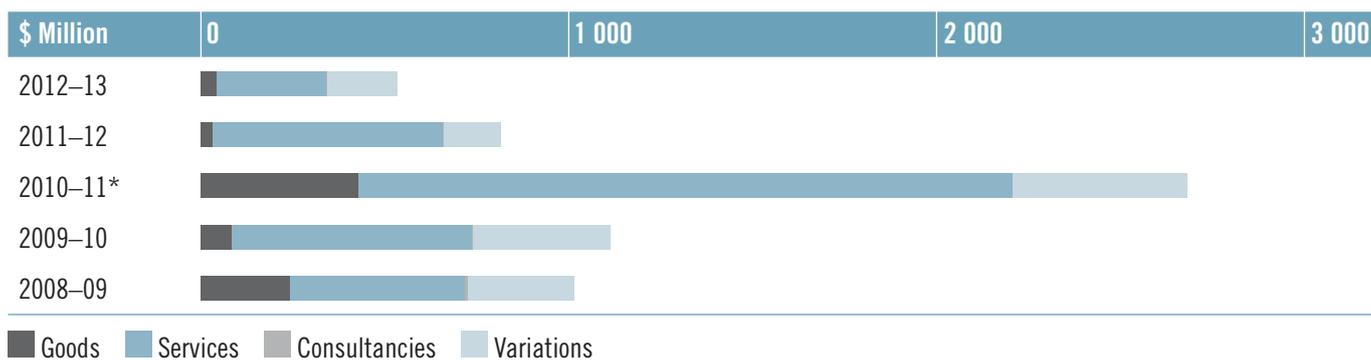
# PROCUREMENT ACTIVITY IN 2012–13

## One-off supply approvals (cont.)

**Table 13: Value (\$M) of total one-off supply approvals by goods and services from 2008–09 to 2012–13**

	2008–09	2009–10	2010–11	2011–12	2012–13
Goods	\$242.4	\$84.8	\$429.4	\$31.5	\$43.2
Services	\$474.5	\$652.3	\$1 776.9*	\$625.9	\$297.2
Consultancies	\$9.3	\$1.3	\$2.1	\$2.1	\$4.0
Variations	\$287.9	\$373.3	\$473.1	\$154.6	\$190.3
<b>Total</b>	<b>\$1 014.2</b>	<b>\$1 111.8</b>	<b>\$2 681.6*</b>	<b>\$814.1</b>	<b>\$534.7</b>

**Figure 6: Value of total one-off supply approvals by goods and services from 2008–09 to 2012–13**



\*Includes two negotiated contracts with a combined value of \$1 241.6 million.

**Table 14: Critical incident procurement approvals in 2012–13**

	2012–13	
	Number	Value (\$M)
Goods	3	\$3.1
Services	3	\$1.6
Consultancies	0	\$0.0
<b>Total</b>	<b>6</b>	<b>\$4.7</b>

## Critical incident procurement approvals

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

There were six critical incident procurements valued at \$4.7 million in 2012–13, as shown in Table 14. These six procurements were reported by the Department of Environment and Primary Industries in relation to major bushfires at the Grampians, Harrietville, Aberfeldy and Kentbruck during the 2012–13 bushfire season.

# PROCUREMENT ACTIVITY IN 2012–13

## Standing offer agreements

This section provides an overview of the number and estimated potential value of all standing offer agreements approved in 2012–13.

The values in the tables are estimates and expenditure occurs over a number of years, as detailed in the contract term and option to extend columns.

### State purchase contracts

State purchase contracts (SPCs) are standing offer agreements for common use goods and services, which are established when value for money can be best achieved by aggregating demand across departments and other government entities.

SPCs can involve arrangements with one or more suppliers for a set period (usually three to five years), incorporate a schedule of rates and performance levels, and usually require no obligation on the State to purchase a particular quantity of the goods or services. All government departments and agencies can access SPCs, as long as they commit to the rules of use.

SPCs can be structured with sole or multiple suppliers, and as open or closed panels. Multiple suppliers constitute a panel arrangement. Open panels can accept new suppliers at set or other times during the contract period, while closed panels are restricted to the suppliers engaged at the start of the contract.

In 2012–13, three SPCs were approved with a total value of \$326.0 million, as detailed in Table 15.

**Table 15: Number and estimated potential value of SPCs approved in 2012–13**

Department	Total number	Total estimated value (\$M)	Title/description	Contract term (years)	Option to extend (years)	Tender type
Treasury and Finance	3	\$46.0	Electricity (>160 MWh)	2.25	2	Public tender
		\$100.0	Real estate / Facilities management	5	5	Select tender
		\$180.0	Security services	3	4	Public tender
<b>Total</b>	<b>3</b>	<b>\$326.0</b>				

# PROCUREMENT ACTIVITY IN 2012–13

## Standing offer agreements (cont.)

### Sole entity purchase contracts

Sole entity purchase contracts (SEPCs) are a strategic approach to procuring common use goods and services used exclusively by one department. These long-term agreements have benefits to the department such as:

- using the aggregated purchasing power of the department to negotiate lower prices and better service; and
- reducing the administrative burden for end users in preparing specifications, requesting quotations and tenders, and evaluating offers for similar purchases.

In 2012–13, 51 SEPCs were approved with an estimated total value of \$160.8 million, as detailed in Table 16.

**Table 16: Number and estimated potential value of SEPCs approved in 2012–13**

Department	Total number	Total estimated value (\$M)	Title/description	Contract term (years)	Option to extend (years)	Tender type
Education and Early Childhood Development	1	\$9.0	Evaluation services	3	2	Public tender
Environment and Primary Industries	7	\$0.4	Adobe Enterprise Agreement	1	2	Ex & 3Q
		\$0.9	Weed control services in western grasslands	3	0	Public tender
		\$1.0	Panel of providers of coaching services	2	2	Public tender
		\$1.6	Panel of body builders for Fire Appliance Fleet	2	2	Public tender
		\$3.0	Panel of trailer suppliers	5	0	Public tender
		\$5.0	Panel for supply of labour hire during emergency incidents	3	2	Public tender
		\$36.0	Panel of providers of valuation services and associated disciplines (7th generation)	3	0	Public tender

# PROCUREMENT ACTIVITY IN 2012–13

## Standing offer agreements (cont.)

Table 16: Number and estimated potential value of SEPCs approved in 2012–13 (cont.)

Department	Total number	Total estimated value (\$M)	Title/description	Contract term (years)	Option to extend (years)	Tender type
Health	7	\$0.2	Pharmacotherapy training program for pharmacists and assistants	3	1	Ex & 3Q
		\$0.6	Pharmacotherapy training program for general practitioners	3	2	Ex & 3Q
		\$0.7	Sitecore web content management system enterprise edition—perpetual licences, maintenance and support	5	0	Ex & 3Q
		\$0.9	SAS licence agreement	3	0	Ex & 3Q
		\$1.5	Learning and leadership development panel	3	2	Public tender
		\$5.5	Victorian Home and Community Care education and training service	3.5	0	Public tender
		\$9.9	Vaccine warehousing and distribution	3	2	Public tender
		Human Services	5	\$0.3	Licence upgrade on Google search appliances	3
\$0.8	Authorised investigators panel			3	2	Public tender
\$1.2	Supply of uniforms for youth justice custodial services			3	2	Public tender
\$1.6	First aid and CPR training provider			3	2	Public tender
\$8.4	Supply of meals to youth justice custodial services			3	2	Public tender
Planning and Community Development	1	\$1.0	3D visualisation services and visual platform licence	3	3	Ex & 3Q

# PROCUREMENT ACTIVITY IN 2012–13

## Standing offer agreements (cont.)

Table 16: Number and estimated potential value of SEPCs approved in 2012–13 (cont.)

Department	Total number	Total estimated value (\$M)	Title/description	Contract term (years)	Option to extend (years)	Tender type
Premier and Cabinet	1	\$2.8	Refugee Action Program across Victoria	2	0	Public tender
Treasury and Finance	1	\$1.8	Corporate hospitality services to client departments housed at 121 Exhibition Street	3	2	Public tender
Victoria Police	28	\$0.2	Portable warning beacons	3	2	Public tender
		\$0.2	Psychometric testing of police and protective services officer applicants	1	0	Ex & 3Q
		\$0.2	Specialist consultant for community engagement project review	0.6	0	Ex & 3Q
		\$0.3	Occupational rehabilitation services	2	3	Public tender
		\$0.3	Berth facilities for 'in water' police vessels	1	2	Ex & 3Q
		\$0.3	Information brokerage services—land titles and business name check	1	0	Ex & 3Q
		\$0.3	Police medals	3	2	Public tender
		\$0.4	National Association of Testing Authorities membership from 2013 to 2017 (financial years)	5	0	Ex & 3Q
		\$0.4	Analyst for source intelligence	5	0	Ex & 3Q
		\$0.5	Panel for supply of annual provision of dog food	3	7	Public tender
		\$0.6	Gym equipment and associated maintenance services	3	2	Public tender
		\$0.6	Victoria Police name tags and accessories	3	2	Public tender
		\$0.6	Servicing water police vessels	1	2	Ex & 3Q

# PROCUREMENT ACTIVITY IN 2012–13

## Standing offer agreements (cont.)

Table 16: Number and estimated potential value of SEPCs approved in 2012–13 (cont.)

Department	Total number	Total estimated value (\$M)	Title/description	Contract term (years)	Option to extend (years)	Tender type
Victoria Police (cont.)		\$0.9	Boat fuel for water police vessels	1	1	Ex & 3Q
		\$0.9	Maintenance services for booze buses and generator sets	5	0	Public tender
		\$0.9	Pathology and toxicology laboratory services	2	3	Public tender
		\$0.9	Firearms and security plastic licences and ancillary printing and mail house services	3	2	Ex & 3Q
		\$0.9	Maintenance and service of existing scientific equipment	3	0	Ex & 3Q
		\$0.9	Employment suitability tests for Victoria Police recruit applicants	1.5	0	Public tender
		\$1.0	Plastic licence production	1	0	Ex & 3Q
		\$1.2	Surveillance unit vehicle—servicing, maintenance and repairs	1.6	0	Exemption from Public tender
		\$1.4	Oleoresin capsicum streamer and foam	3.4	1.9	Public tender
		\$2.9	Brokerage service for recycling and waste collection	3	2	Public tender
		\$5.6	Regional impoundment towing services	3	2	Public tender
		\$6.5	Audiovisual requirements	3	2	Public tender
		\$9.5	Office furniture panel	3	2	Public tender
		\$11.9	Transcription services	3	2	Public tender
		\$16.8	Manufacture and/or supply of general duties uniform	3	2	Public tender
<b>Total</b>	<b>51</b>	<b>\$160.8</b>				

Ex & 3Q = Exemption from public tender and three quotes

# PROCUREMENT ACTIVITY IN 2012–13

## Strategic procurement plans

A strategic procurement plan (SPP) is a detailed plan for a proposed procurement process for major contracts (usually over \$10 million and/or complex projects of lesser value).

SPPs are prepared before starting the procurement process and must be approved before any approach is made to market. The procurement process after approval may take some time. The estimated expenditure provided in this section does not signify a formal budget commitment by the department. The indicative value is based on a business case assessment of need and market capability to supply. Actual expenditure approved is reported after the procurement process is complete.

SPPs are not required for SPCs as they are incorporated in the SPC business plan.

In 2012–13, there were seven SPPs valued at \$442.1 million as detailed in Table 17.

**Table 17: Number and planned estimated value of SPPs in 2012–13**

Department	Total number	Total estimated value (\$M)	Title/description	Contract type	Approved in financial year 2012–13
Environment and Primary Industries	2	\$18.1	Vicmap land administration management and maintenance	One-off supply	Yes
		\$40.0	4x4 fire tanker vehicles	One-off supply	No
Human Services	1	\$12.0	Supply of meals to youth justice custodial services	SEPC	Yes
Justice	1	\$8.0	Prisoner telephone system	One-off supply	No
Victoria Police	2	\$14.0	Transcription services	SEPC	Yes
		\$307.0	IT services contract project	SEPC	No
Victoria Police, with Education and Early Childhood Development, Health and Human Services	1	\$43.0	Language services including Auslan	SEPC	No
<b>Total</b>	<b>7</b>	<b>\$442.1</b>			

# PROCUREMENT ACTIVITY IN 2012–13

## Departmental procurement activities

This section provides a breakdown of the number and value of one-off supply approvals over \$150 000 by department. The data includes variations but excludes standing offer agreements and critical incident procurement.

### Overview of one-off supply approvals by department

Table 18 provides a breakdown of procurement process approvals by department and a comparison with the five-year average.

Figures 7 and 8 provide a departmental comparison of one-off supply approvals by number and value respectively in 2012–13.

**Table 18: Number and value of one-off supply contracts by department in 2012–13 compared with the five-year average**

Department	2012–13		Five-year average	
	Number	Value (\$M)	Number	Value (\$M)
Education and Early Childhood Development	54	\$122.2	78	\$125.2
Environment and Primary Industries	103	\$117.2	104	\$162.8
Health	33	\$39.3	31	\$88.7
Human Services	22	\$24.7	42	\$87.4
Justice	56	\$136.2	99	\$193.6
Planning and Community Development	6	\$3.5	13	\$8.0
Premier and Cabinet	10	\$9.4	11	\$8.9
Primary Industries	40	\$19.9	42	\$30.5
State Development, Business and Innovation	29	\$20.9	28	\$20.9
State Services Authority	0	\$0.0	1	\$0.3
Transport, Planning and Local Infrastructure	19	\$20.7	43	\$418.9
Treasury and Finance	22	\$11.0	28	\$46.5
Victoria Police	15	\$9.7	28	\$57.3
<b>Total</b>	<b>409</b>	<b>\$534.7</b>	<b>547</b>	<b>\$1 249.0</b>

Note: The Department of Health was created in 2009 so the five-year average covers 2009 to 2013.

# PROCUREMENT ACTIVITY IN 2012–13

## Departmental procurement activities (cont.)

Figure 7: Departmental comparison of one-off supply approvals in 2012–13 by number

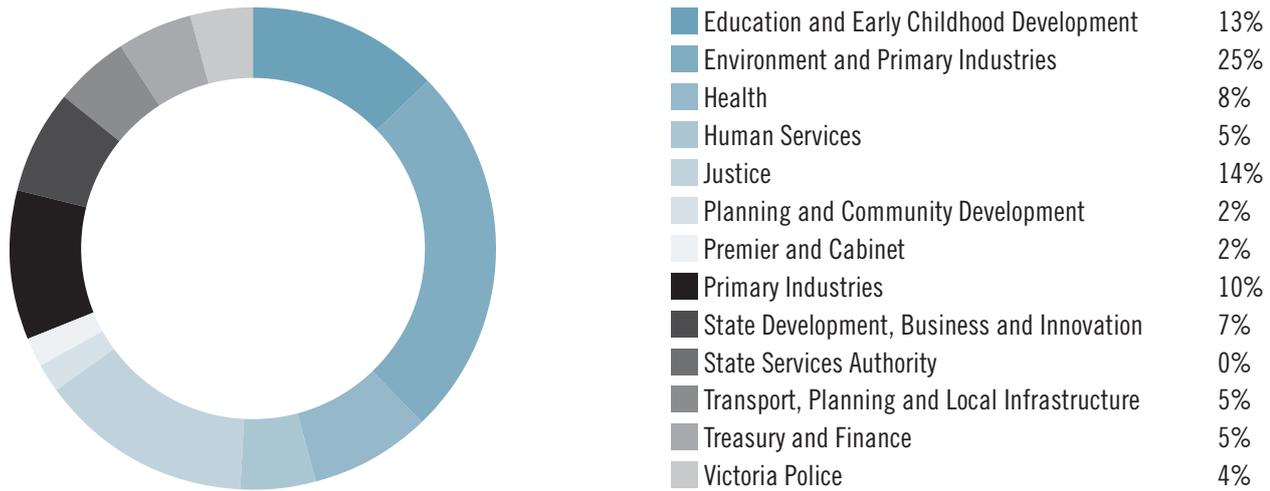
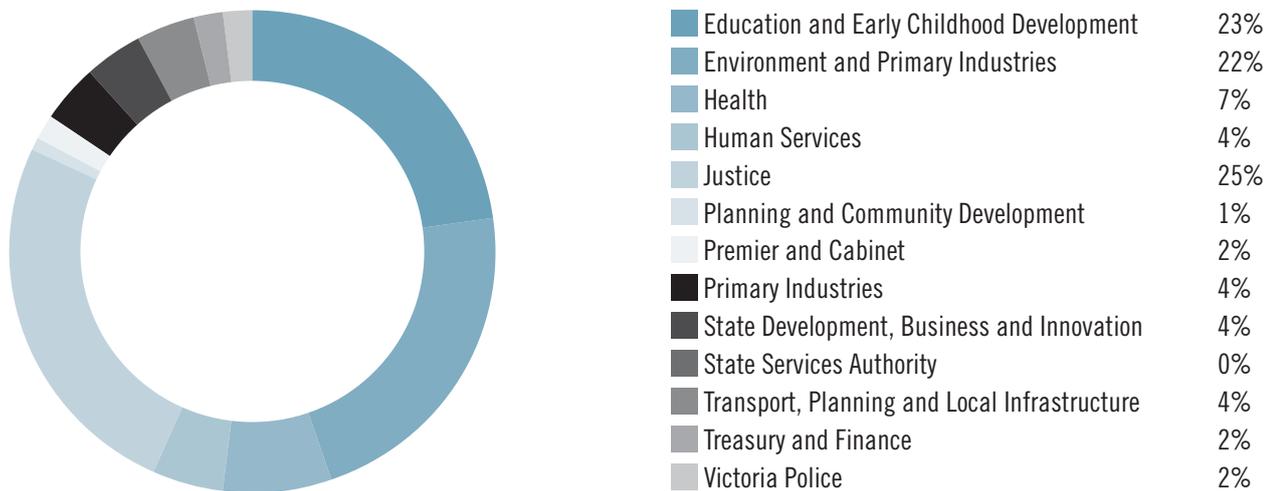


Figure 8: Departmental comparison of one-off supply approvals in 2012–13 by value



# PROCUREMENT ACTIVITY IN 2012–13

## Departmental procurement activities (cont.)

### Trends in one-off supply approvals by department

Tables 19 to 21 provide a breakdown of the number, value and average value of one-off supply approvals by department over the past five years.

**Table 19: Number of one-off supply approvals by department from 2008–09 to 2012–13**

Department	2008–09	2009–10	2010–11	2011–12	2012–13
Education and Early Childhood Development	59	124	89	63	54
Environment and Primary Industries	123	63	113	116	103
Health	–	29	39	21	33
Human Services	90	44	23	29	22
Justice	197	107	81	53	56
Planning and Community Development	21	10	11	15	6
Premier and Cabinet	7	7	18	14	10
Primary Industries	54	56	28	33	40
State Development, Business and Innovation	42	35	24	11	29
State Services Authority	1	2	1	1	0
Transport, Planning and Local Infrastructure	34	47	66	51	19
Treasury and Finance	54	29	20	14	22
Victoria Police	47	36	23	19	15
<b>Total</b>	<b>729</b>	<b>589</b>	<b>536</b>	<b>440</b>	<b>409</b>

Note: The Department of Health was created in 2009. Previously, the Department of Human Services was responsible for its procurement activity.

# PROCUREMENT ACTIVITY IN 2012–13

## Departmental procurement activities (cont.)

Table 20: Value (\$M) of one-off supply approvals by department from 2008–09 to 2012–13

Department	2008–09	2009–10	2010–11	2011–12	2012–13
Education and Early Childhood Development	\$122.2	\$243.3	\$69.1	\$69.2	\$122.2
Environment and Primary Industries	\$224.9	\$246.5	\$123.1	\$102.1	\$117.2
Health	–	\$34.8	\$192.2	\$88.4	\$39.3
Human Services	\$148.2	\$222.7	\$19.2	\$22.2	\$24.7
Justice	\$109.9	\$112.4	\$223.8	\$385.9	\$136.2
Planning and Community Development	\$9.2	\$8.0	\$14.0	\$5.4	\$3.5
Premier and Cabinet	\$15.6	\$3.0	\$8.6	\$7.7	\$9.4
Primary Industries	\$21.5	\$55.5	\$24.4	\$31.1	\$19.9
State Development, Business and Innovation	\$53.5	\$12.1	\$12.5	\$5.5	\$20.9
State Services Authority	\$0.2	\$1.0	\$0.2	\$0.2	\$0.0
Transport, Planning and Local Infrastructure	\$82.1	\$61.7	\$1 876.4*	\$53.6	\$20.7
Treasury and Finance	\$105.7	\$78.6	\$20.6	\$16.7	\$11.0
Victoria Police	\$121.2	\$32.2	\$97.4	\$26.1	\$9.7
<b>Total</b>	<b>\$1 014.2</b>	<b>\$1 111.8</b>	<b>\$2 681.6*</b>	<b>\$814.1</b>	<b>\$534.7</b>

Note: The Department of Health was created in 2009. Previously, the Department of Human Services was responsible for its procurement activity.  
\*Includes two negotiated contracts with a combined value of \$1 241.6 million.

Table 21: Average value (\$M) of one-off supply approvals by department from 2008–09 to 2012–13

Department	2008–09	2009–10	2010–11	2011–12	2012–13
Education and Early Childhood Development	\$2.1	\$2.0	\$0.8	\$1.1	\$2.3
Environment and Primary Industries	\$1.8	\$3.9	\$1.1	\$0.9	\$1.1
Health	–	\$1.2	\$4.9	\$4.2	\$1.2
Human Services	\$1.6	\$5.1	\$0.8	\$0.8	\$1.1
Justice	\$0.6	\$1.1	\$2.8	\$7.3	\$2.4
Planning and Community Development	\$0.4	\$0.8	\$1.3	\$0.4	\$0.6
Premier and Cabinet	\$2.2	\$0.4	\$0.5	\$0.5	\$0.9
Primary Industries	\$0.4	\$1.0	\$0.9	\$0.9	\$0.5
State Development, Business and Innovation	\$1.3	\$0.3	\$0.5	\$0.5	\$0.7
State Services Authority	\$0.2	\$0.5	\$0.2	\$0.2	\$0.0
Transport, Planning and Local Infrastructure	\$2.4	\$1.3	\$28.4*	\$1.1	\$1.1
Treasury and Finance	\$2.0	\$2.7	\$1.0	\$1.2	\$0.5
Victoria Police	\$2.6	\$0.9	\$4.2	\$1.4	\$0.6
<b>All one-off supply approvals</b>	<b>\$1.4</b>	<b>\$1.9</b>	<b>\$5.0*</b>	<b>\$1.9</b>	<b>\$1.3</b>

Note: The Department of Health was created in 2009. Previously, the Department of Human Services was responsible for its procurement activity.  
\*Includes two negotiated contracts with a combined value of \$1 241.5 million.

# PROCUREMENT ACTIVITY IN 2012–13

## Compliance with VGPB procurement policies

Section 54L of the *Financial Management Act 1994* requires all accountable officers and departmental officers to comply with VGPB procurement policies when acquiring goods and services. Failure to comply with these policies is a breach. Where a breach involves a financial commitment above \$150 000, the accountable officer is to report the breach to the VGPB immediately.

The VGPB will note:

- factors leading to the non-compliance;
- actions taken to rectify the breach; and
- processes implemented to prevent a recurrence of factors that led to the non-compliance in the first instance.

The department may finalise the outstanding financial matter after noting by the VGPB and proceeding with approval from an officer with appropriate financial delegation.

Departments recorded 98 per cent compliance in 2012–13 as shown in Table 22. The following nine departments recorded 100 per cent compliance with VGPB policies in 2012–13:

- Health
- Human Services
- Planning and Community Development
- Premier and Cabinet
- Primary Industries
- State Development, Business and Innovation
- State Services Authority
- Transport, Planning and Local Infrastructure
- Treasury and Finance

The number and value of breaches decreased in 2012–13. There were 10 breaches in 2012–13 compared with 15 in 2011–12. The value decreased from \$15.1 million in 2011–12 to \$9.2 million in 2012–13. Breaches make up 2.4 per cent of the total number of procurement approvals and 1.7 per cent of the total value.

**Table 22: Compliance with VGPB procurement policies in 2012–13**

Department	Number of breaches	Total number of purchases*	Level of compliance (%)
Education and Early Childhood Development	1	54	98
Environment and Primary Industries	1	103	99
Health	0	33	100
Human Services	0	22	100
Justice	7	56	88
Planning and Community Development	0	6	100
Premier and Cabinet	0	10	100
Primary Industries	0	40	100
State Development, Business and Innovation	0	29	100
State Services Authority	0	0	0
Transport, Planning and Local Infrastructure	0	19	100
Treasury and Finance	0	22	100
Victoria Police	1	15	93
<b>Total</b>	<b>10</b>	<b>409</b>	<b>98</b>

\* Includes one-off supply approvals and variations but excludes standing offer agreements and critical incident procurement.

The majority (seven) of the breaches occurred in the Department of Justice (DOJ). Discussions between the VGPB and DOJ showed that DOJ's focus on improving compliance in 2012–13 resulted in an initial increase in identifying and reporting non-compliance, but also the beginning of improved procurement practices.

# PROCUREMENT ACTIVITY IN 2012–13

## Accredited purchasing unit activities

This section provides information about the strategic projects and initiatives carried out by accredited purchasing units (APUs) in relation to the procurement of goods and services. It may include progress towards implementing electronic procurement; skills development and training; communication activities; and implementing commitments towards APU accreditation.

APUs and their secretariats ensure compliance with VGPB supply policies, keeping departmental policies, tools and templates aligned and up to date. APUs provide advice, assistance and expertise to support departmental staff in their procurement activities.

APUs are involved in the consultation process for changes to procurement policies. APUs may also participate in reference groups and tender evaluation panels to provide departmental input and strategic advice on whole of government purchasing arrangements.

## Summary of APU activities in 2012–13

In 2012–13, departments continued to focus on activities related to procurement reform, putting together project and change management plans for transition to the new framework. The VGPB reviewed these plans to ensure that departmental planning was aligned with VGPB policy objectives and proportional to each department's procurement profile. The VGPB completed this review in May 2013 and was impressed by the extent of progress already achieved by several departments.

Based on the review, and in consultation with departments, the VGPB developed a transition schedule, giving each department a date to submit its final procurement strategy and completed assessment (using the assessment tool developed by the VGPB in 2012). The VGPB will review these documents to determine a department's capability and readiness to operate under the new supply policies. The end date for transition of all departments is August 2014.

Most departments have already appointed a chief procurement officer (CPO) in recognition of the importance of this role in ensuring a more strategic approach to procurement.

The machinery of government (MOG) changes announced in April 2013 will alter the procurement profile of several departments. The APUs from these departments began preparing to integrate their procurement functions from 1 July 2013 and amending their procurement reform transition planning accordingly.

# PROCUREMENT ACTIVITY IN 2012–13

## Accredited purchasing unit activities (cont.)

### Department of Education and Early Childhood Development

**APU Chair:**

Ms Janet Thompson, Executive Director, Procurement Division

**CPO:**

Ms Janet Thompson, Executive Director, Procurement Division

**Accreditation level:**

Tier 1

In 2012–13, the Department of Education and Early Childhood Development (DEECD) began preparing its new procurement strategy and approach to be rolled out across the organisation.

The APU implemented several initiatives to raise the profile of procurement across DEECD including a training program and dashboard reporting for DEECD's Executive Board.

The new procurement training program received broad uptake with 813 staff attending training sessions in 2012–13, resulting in increased levels of procurement compliance and capability.

The APU also restructured procurement information on the DEECD intranet and introduced an integrated DEECD procurement policy to help buyers access a single policy repository.

Annual procurement activity plans aligned to business planning were piloted across a small number of DEECD business units, however, the department decided to discontinue the pilot and wait for transition to the new procurement framework.

The APU was involved in a joint tender process with Victoria Police, the Department of Health and the Department of Human Services to procure language services (interpreting and translating).

In 2013–14, DEECD will transition to the new procurement framework and continue to deliver procurement training to help staff adapt to the new framework.

### Department of Environment and Primary Industries (formerly the Department of Sustainability and Environment)

**APU Chair:**

Mr Anthony Connelly, Executive Director, Business Operations

**CPO:**

Rema Rockwood, Chief Procurement Officer

**Accreditation level:**

Tier 2

Under MOG changes, the Department of Sustainability and Environment (DSE) became the Department of Environment and Primary Industries (DEPI). From 1 July 2013, DEPI will include functions from the former DSE and from the former Department of Primary Industries (DPI). In 2012–13, DEPI began planning to integrate the procurement functions from the former departments, agreeing on forms, templates and contracts and reviewing each department's contracts. This integration will be finalised in 2013–14.

In 2012–13, DEPI sent a business case to the DEPI executive to outline the organisation's transition plan. It included a proposal to improve DEPI's contract management governance framework, with a review of the contracts management system and an assessment of the feasibility of setting up a dedicated contracts unit.

In 2013–14, DEPI will align the DPI and DSE transition plans with a view to transitioning to the new procurement framework by June 2014.

DEPI developed a contract management training framework and embedded it into the DEPI learning and development system. The framework provides a path of progressive learning for DEPI contract managers to ensure that only appropriately trained staff manage DEPI contracts. The course started in February 2013 and 203 staff have already attended.

The APU updated procurement information on the DEPI intranet to help staff understand how to comply with procurement. The new user-friendly format has reduced cases of non-compliance and encouraged staff to seek out support material online.

DEPI will continue to roll out its contract management training framework in 2013–14, training more staff in basic contract management concepts and more advanced contract management where needed.

The department also plans to implement a contract management system to replace the existing contract register which offers limited functionality. The new system will provide better oversight and management of contracts and supplier performance, as well as enhanced reporting.

# PROCUREMENT ACTIVITY IN 2012–13

## Accredited purchasing unit activities (cont.)

### Department of Health / Department of Human Services

#### **APU Chair (shared with the Department Of Health):**

Mr Jim Higgins, Executive Director, Corporate Services Group,  
Department of Human Services

*Formerly Mr David Ali, Director, Executive Services,  
Department of Human Services*

#### **CPO (Health):**

Ciaran Horgan, Acting Director, Commercial Management Unit, CFO  
Branch, Finance and Corporate Services Division

#### **CPO (Human Services):**

Genine Wallinga, Director, Procurement and Contract Management  
Branch, Corporate Services Group

#### **Accreditation level:**

Tier 2

The Department of Health (DH) and the Department of Human Services (DHS) have a joint APU with four members from DH and five from DHS, all from the executive level.

DH and DHS continued to prepare for procurement reform appointing a CPO in both departments and submitting a project plan to the VGPB for approval. The APU will oversee implementation of the new framework in 2013–14 with a planned delivery date of 1 July 2014.

The APU continued its 'Excellence in Procurement' training framework, providing 172 finance and procurement training courses, workshops and seminars to 1 790 staff in 2012–13.

The APU also upgraded the Oracle-based contracts reporting system to provide automated advice to contract managers. The system can now send critical contract events, key contract dates and financial approval arrangements to maintain awareness of contract status. This has been particularly useful in a time of significant staff changes.

The APU was involved in a joint tender process with Victoria Police and DEECD to procure language services (interpreting and translating).

In 2013–14, the APU is planning to streamline routine purchasing and procurement activities such as contract execution to reduce red tape and the administrative burden. The APU will achieve this by increasing the range of contract delegations and improving the contract proforma and associated process requirements.

### Department of Justice

#### **APU Chair:**

Ms Gail Moody, Executive Director, Strategic Projects and Planning

#### **CPO (acting):**

Ms Gail Moody, Executive Director, Strategic Projects and Planning

#### **Accreditation level:**

Tier 2

In 2012–13, the APU increased its membership to 16 members from across the Department of Justice (DOJ). This helped to further the procurement knowledge base in the department.

DOJ completed the roll out of a Procure to Pay (P2P) finance system. Although not specifically an APU activity, the P2P initiative enables greater visibility of purchasing activity across DOJ and has positively affected procurement compliance, especially in the transactional purchasing environment.

The department is evaluating use of an electronic contract management system. This project is anticipated to start in August 2013 and the APU will help implement the system.

The APU continues to build procurement capability through its basic procurement training course and contract essentials training. The APU also delivered a quarterly procurement forum for contract managers and procurement officers. Training and forums will continue in 2013–14 and will be complemented by a new APU submissions writing course.

The APU helped the Courts division build their procurement capability ready to operate as a separate entity on 1 July 2014.

The department also began planning to implement the new procurement framework and an Office of the Chief Procurement Officer. This work will continue in 2013–14.

# PROCUREMENT ACTIVITY IN 2012–13

## Accredited purchasing unit activities (cont.)

### Department of Planning and Community Development

**APU Chair:**

Mr Greg Forck, Chief Finance Officer, Corporate Finance and Procurement

**CPO (interim):**

Mr Greg Forck, Chief Finance Officer, Corporate Finance and Procurement

**Accreditation level:**

Tier 1

In 2012–13, the Department of Planning and Community Development (DPCD) carried out a number of reform-related activities, including appointing interim internal procurement unit (IPU) members and an interim CPO. The DPCD Secretary approved the IPU terms of reference and the IPU began reviewing reform policies and guidelines in preparation for transition.

These reform activities will now be reviewed in light of MOG changes as all future procurement activities will happen under the Department of Transport, Planning and Local Infrastructure.

DPCD finalised and implemented its online financial delegate training, which included a procurement component. This training will be substantially revised to align with the new procurement framework.

The APU had planned to review DPCD personnel capabilities and training, aligning capability with departmental procurement activities to ensure that DPCD is prepared, with the right planning and resources, to carry out future procurement projects. This initiative has been put on hold pending resolution of MOG issues and harmonisation of approach with the former Department of Transport.

### Department of Primary Industries

**APU Chair:**

Giovanna Tivisini, General Counsel, Office of the General Counsel

**CPO:**

Chris O'Farrell, Executive Director, Finance Division

**Accreditation level:**

Tier 2

In 2012–13, the corporate services branch of the Department of Primary Industries (DPI) was restructured. The Contract Resource Unit moved from the Legal Services Unit into the DPI Finance Division and was renamed as the Procurement Branch (PB). The executive director of the Finance Division was appointed as chief procurement officer (CPO) in November 2012. The PB maintained its existing governance, policy and procedural role, while also incorporating wider aspects of the end-to-end procurement function so that procure-to-pay business improvements and financial system issues were an added facet of the PB role.

The PB was keen to improve monitoring of financial transactions to reduce non-compliance. This included oversight of potential splitting of invoices and multiple payments to single vendors, appropriate sourcing, contract management and financial delegate approval, payment performance and monthly spend analysis by category, vendor and division.

DPI carried out an internal audit of its procurement compliance after a significant breach in 2011–12. The internal auditors put forward 18 recommendations to strengthen payment and procurement processes. The department implemented all recommendations by the end of the financial year.

DPI engaged KPMG to carry out an external review of all departmental procurement activity in conjunction with a Procurement Project Control Board chaired by the Deputy Secretary, Business and Corporate Services. The review analysed DPI's procurement processes and framework and reviewed DPI's spend over 12 months. It led to 19 recommendations for change that were all endorsed by the DPI Executive in November 2012. These recommendations were mapped against the internal audit and five new VGPB supply policies.

As a result of the review, DPI developed a new procurement and governance framework and business operating model aligned with the procurement reform agenda. DPI presented its proposed approach to the VGPB in April 2013.

This work was then put on hold due to the announcement of MOG changes. From 1 July 2013, all future procurement activities will happen under DEPI.

# PROCUREMENT ACTIVITY IN 2012–13

## Accredited purchasing unit activities (cont.)

### Department of State Development, Business and Innovation (formerly the Department of Business and Innovation)

**APU Chair:**

Mr Rob Barr, Deputy Secretary, Corporate Planning and Compliance Services

**CPO (acting):**

Mr Rob Barr, Deputy Secretary, Corporate Planning and Compliance Services

**Accreditation level:**

Tier 1

Under MOG changes, the Department of Business and Innovation (DBI) became the Department of State Development, Business and Innovation (DSDBI). From 1 July 2013, DSDBI will include a new state development policy branch that incorporates Regional Development Victoria, energy and resources, and whole of government ICT.

These changes affect DSDBI's procurement profile, increasing the complexity and volume of APU submissions. The department began reviewing its procurement profile and procurement capability to ensure it can successfully carry out future procurement activity. This work will continue in 2013–14.

To increase awareness of DSDBI's procurement practices, the department offered new training to all staff on contract management and government procurement. DSDBI continued to offer training on the eQuotation system and financial delegation.

DSDBI completed an external review of the eQuotation system. The review showed a 250 per cent increase in small and medium enterprise (SME) access to DSDBI procurement opportunities. The system has fostered a more competitive procurement environment and has been well received by SMEs and departmental staff who recognise the benefits of competition, transparency and accountability.

DSDBI will complete a follow-up review of the eQuotation system in 2013–14.

## Accredited purchasing unit activities (cont.)

### Department of Transport, Planning and Local Infrastructure (formerly the Department of Transport)

#### APU Chair:

Mr Bruce Drinkwater, Director, Procurement Advisory and Support Services

#### CPO (interim):

Mr Bruce Drinkwater, Director, Procurement Advisory and Support Services

#### Accreditation level:

Tier 2

In 2012–13, under MOG changes, the Department of Transport (DOT) became the Department of Transport, Planning and Local Infrastructure (DTPLI). From 1 July 2013, DTPLI will include functions from the former DOT, the former DPCD, Land Victoria from the former Department of Sustainability and Environment, and the Office of the Victorian Government Architect from the Department of Premier and Cabinet.

DTPLI has already begun preparing to integrate the procurement functions from these four departments. This work will continue in 2013–14, in conjunction with activities related to transition to the new procurement framework, scheduled for 1 January 2014.

Due to MOG changes and the establishment of the Public Transport Development Authority (trading as Public Transport Victoria or PTV) in 2011–12, DTPLI's procurement profile has changed significantly. Most major procurements are now carried out in portfolio agencies with DTPLI taking on a policy and coordination role.

The APU continued to provide leadership and support to other DTPLI areas, as per the requirements under the *Transport Integration Act 2010*. The APU supported the setup of the new Taxi Services Commission, including creating a contracts register and migrating records to the new database. The APU also provided procurement advice to DTPLI statutory authorities such as Transport Safety Victoria, Regional Rail Link Authority and the Chief Investigator, Transport Safety.

The APU also promoted procurement across the department through an online campaign, resulting in more requests for procurement support. This initiative was an activity listed in the procurement paper developed by the Department's Leadership Group to improve procurement practice across DTPLI.

The APU held four subject-based forums on specialist procurement topics. Forums are open to the whole DTPLI portfolio as well as other departments. In 2013–14, this program of specialist subject-based forums will be incorporated into a portfolio-wide community of practice covering project management and procurement best practice.

The APU is planning to implement the first stage of a capability development program, including training and a communication campaign promoting different aspects of procurement through the intranet and regular bulletins. This will also help staff understand how to operate under the new procurement framework.

The APU began reviewing and developing online guidance material during the year to support the new procurement framework, however this work was delayed due to MOG changes.

# PROCUREMENT ACTIVITY IN 2012–13

## Accredited purchasing unit activities (cont.)

### Department of Treasury and Finance / Department of Premier and Cabinet

#### APU Chair (Treasury and Finance):

Mark Johnstone, Director, Economic Policy

#### APU Chair (Premier and Cabinet):

Suzie Thoraval, Acting Assistant Director, Corporate Development

#### CPO (Treasury and Finance):

Jane Olsen, Chief Procurement Officer, Contract Resourcing Unit

#### CPO (Premier and Cabinet):

To be appointed

#### Accreditation level:

Tier 1

The central agencies of the Department of Treasury and Finance (DTF) and the Department of Premier and Cabinet (DPC) operate with a joint APU. In previous years, the APU had one shared APU Chair. In 2012–13, the APU assigned a second Chair for the reasons outlined below.

In 2012–13, the central agencies began preparing for transition to the new procurement framework on 1 July 2013. The MOG changes announced in April 2013 affected DPC, compromising their ability to complete their transition plan. It was agreed to defer DPC's transition to later in 2013, but to continue as planned with DTF.

DTF's final procurement strategy and completed assessments were submitted to the VGPB in early 2013 to determine DTF's capability and readiness to operate under the new supply policies. The VGPB was satisfied that DTF had developed a comprehensive procurement strategy and completed the assessment tool requirements to a high standard, approving transition for 1 July 2013.

The APU revised all procurement materials to align with the new VGPB policies ready for release on 1 July. The APU needed to maintain both current and new procurement information until DPC transitions later in the year. The DTF intranet was ready for launch on 30 June 2013, with new content for DTF and re-direction to existing content for DPC.

The APU exceeded its benchmark for the second year running to approve 80 per cent of submissions within two days, achieving a 90 per cent success rate.

The APU provided information sessions throughout the year, adjusting the content and focus as the departments moved closer to transition.

In 2013–14, DTF will continue to embed the new procurement governance structure, develop new processes and systems, and review capability using a gap analysis. The newly formed IPU (which replaces the APU) will work on embedding supplier management processes and building its reporting requirements as specified in the new policies. The IPU will continue to monitor DTF's procurement profile by analysing its ongoing spend.

## Accredited purchasing unit activities (cont.)

### State Services Authority

**APU Chair:**

Mr Paul Eate, Executive Director, Corporate and Standards

*Formerly Ms Pam White, Acting Chief Executive Officer*

**CPO:**

To be appointed

**Accreditation level:**

Tier 1

In 2012–13, the State Services Authority (SSA) carried out several activities to ensure good governance and compliance with VGPB policies. SSA refreshed the online procurement tools on the SSA intranet, and reviewed and updated policies and procedures with any changes in government procurement.

Following on from an audit in 2011–12, SSA finished implementing all audit recommendations.

SSA also reviewed and released updated financial policies. This work will continue in 2013–14 due to the release of the new procurement policies. SSA will then implement updated financial and procurement processes to ensure all procurement staff operate in accordance with the new policies.

SSA will also conduct another internal audit to confirm compliance with policies and identify possible areas for improvements.

## Accredited purchasing unit activities (cont.)

### Victoria Police

**APU Chair:**

Mr Andrew Loader, Group Director, Human Resource Department

**CPO:**

Jo Hoffman, Chief Procurement Officer / Director of Procurement Department

**Accreditation level:**

Tier 1

Victoria Police implemented several procurement and contract management initiatives in 2012–13 by reviewing its supply chain and focusing on commercial relationships to improve value for money. The organisation realised more than \$15 million in contract savings through a range of commercial strategies including re-negotiation and demand management.

Initiatives included:

- expanding the suite of preferred supplier contracts;
- reviewing and updating the contract management framework;
- establishing a new contract reporting regime for Executive Command;
- enhancing procurement governance by reviewing the membership and charter of the Police Procurement Board (the Victoria Police APU);
- preparing an annual procurement activity plan for publication in 2013–14 to provide advance notice to suppliers and potential suppliers of upcoming tenders; and
- delivering a range of procurement and contract training programs across the organisation to build capability.

Victoria Police continued to build capability through the following activities:

- maintaining an ongoing capability growth program;
- re-establishing a forum for senior stakeholders to discuss strategic procurement opportunities;
- updating training modules; and
- embedding procurement fundamentals in the mandatory training for all financial delegates.

The agency also continued to work on various audits covering selected areas of procurement activity as part of an ongoing commitment to continuous improvement and best practice.

Victoria Police is keen to explore opportunities to work collaboratively with other policing jurisdictions through the Australia and New Zealand Policing Advisory Services and other Victorian emergency services agencies. In 2012–13, Victoria Police shared market knowledge with police from other states.

While Victoria Police did not establish any multi-jurisdictional procurement contracts, it led a joint tender process with DEECD, DH and DHS to procure language services (interpreting and translating). This project is due for completion in October 2013. It is expected to reduce costs to government and industry through a streamlined engagement process. It will also encourage greater market development and standardised industry conditions that ensure employees and subcontractors are fairly rewarded and equitably paid for their services over the life of the contract.

In 2013–14, Victoria Police will work on several activities related to implementing the procurement reform framework, with a particular focus on improving spend data analysis and moving to a category management approach to procurement. The organisation will continue to build procurement capability with a critical analysis of procurement functions, a risk analysis of procurement lifecycle activities and a capability assessment of procurement staff. Comprehensive and timely procurement planning for each region and division will support proper resource planning, demand aggregation, effective market research and approaches, and better value-for-money outcomes.

# LINKS AND GLOSSARY

## Procurement websites

### Procurement Victoria

A one-stop portal for advice on procurement of goods and services for government and businesses in Victoria. The portal contains VGPB policies, guidelines, tools and templates, and links to other procurement-related websites.

[www.procurement.vic.gov.au](http://www.procurement.vic.gov.au)

### Tenders VIC

All tenders advertised and major contracts awarded by Victorian Government departments, including listings of past tenders and contracts.

[www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)

### Australasian Procurement and Construction Council

The peak council of departments responsible for procurement, construction and asset management policy for the Australian, state and territory governments, and the New Zealand Government. Papua New Guinea is an associate member.

[www.apcc.gov.au](http://www.apcc.gov.au)

### Training.gov.au

The official national register of information on training packages, qualifications, courses, units of competency and registered training organisations.

[www.training.gov.au](http://www.training.gov.au)

### Victorian Registration and Qualifications Authority

Responsible for the registration of education and training providers in Victoria. Its role is to provide regulation that ensures quality education and training is delivered by the providers it registers in Victoria, and to promote informed choice when it comes to education and training decisions.

[www.vrqa.vic.gov.au](http://www.vrqa.vic.gov.au)

## Glossary

**Accountable officer:** the head of any given department, or, for a public body, the chief executive officer (or comparable title) of that body.

**Accreditation:** a system where the VGPB delegates its authority to a department through the accountable officer to allow the department to note, endorse, or approve requisitions up to an accreditation level as agreed by the VGPB. Requisitions above a department's accreditation level are referred to the VGPB for approval after endorsement by the APU.

**Accredited purchasing unit (APU):** a body in each department responsible for ensuring that the procurement activities of its department are driven by business needs, and comply with VGPB policy. The APU has authority from the VGPB to approve all purchasing processes that fall within its accreditation limit. Departments that have transitioned to the VGPB's new policy framework have an internal procurement unit in place of the APU (see *internal procurement unit*).

**Aggregated demand or aggregation:** a generic term whereby demand for identical or similar categories is grouped together in order to leverage benefits from greater economies of scale when negotiating with potential suppliers.\*

**Annual supply report:** a report to the VGPB from departments providing information and data relating to the purchase of goods and services.

**Assessment tool:** an evaluation tool for departments to assess and monitor their capability to undertake procurement in compliance with the VGPB's new supply policy requirements.

**Australasian Procurement and Construction Council (APCC):** the peak council of departments responsible for procurement, construction and asset management policy for the Australian, state and territory governments and the New Zealand Government. Papua New Guinea is an associate member.

**Breach:** a case of non-compliance with VGPB policies (prior to a department's transition to the VGPB's new supply policies). Where a breach involves a financial commitment above \$150 000, the accountable officer is to report the breach to the VGPB immediately.

**Business case:** the information needed to enable a manager to decide whether to support a proposed project, before significant resources are committed to its development. The core of the business case is an assessment of the costs and benefits of proceeding with a project.

**Capability:** competence, capability and capacity are often used interchangeably to describe an individual's or organisation's ability to perform tasks or activities effectively. In the context of managing procurement activity, the term 'capability' is increasingly used to describe the combination of an organisation's expertise, resourcing, systems, policies and processes to execute and manage specific procurement tasks and activities.\*

**Categories:** a grouping of related goods or services based on similar characteristics. For example, packaging as a category may include a variety of different goods and materials, all of which share a common purpose. A category may be further divided into sub-categories based on physical characteristics such as plastic packaging or cardboard packaging.

**Central agencies:** the Department of Treasury and Finance and the Department of Premier and Cabinet.

**Chief procurement officer (CPO):** provides strategic expert advice and oversight of the procurement function to drive and ensure value-for-money outcomes in the organisation. The CPO is responsible for developing and monitoring a number of strategic procurement activities. The CPO can be a role or a position as defined in the VGPB's new governance policy.

**Consultancy:** a contract to provide services that meet the following criteria:

- expert analysis and advice which facilitates decision making;
- a specific, one-off task or set of tasks; and
- a task involving skills or perspectives which would not normally be expected to reside in the department.

**Contract:** an agreement between two or more authorised persons on behalf of their organisations to perform or not perform a specific act that is enforceable in law. A contract may be verbal, written or inferred by conduct.

**Contract management:** all activities at the start, during and after the contract period, to ensure that all contractual obligations are fulfilled.

## Glossary (cont.)

**Contract variation:** an addition or alteration to the goods and/or services under a contract that is within the general scope of the original contract. A contract variation can be documented between the parties with a letter or a deed of variation.

**Department:** a body existing by virtue of an order made under section 10 of the *Public Administration Act 2004*.

**e-Procurement:** involves the online conduct of business-to-business procurement processes using web-based applications.\*

**eServices register:** an open, ongoing register for potential suppliers of government ICT services. The register is mandatory for Victorian Government departments and agencies.

**Expression of interest (EOI):** used to identify suppliers interested in, and capable of, delivering the required goods or services. Potential suppliers are asked to provide information on their capability and capacity to do the work. It is usually the first stage of a multi-stage tender process.

**Financial delegate:** a person authorised by the Minister to make general or specified decisions constrained only by the instrument of financial delegation. Specifically, financial delegates commit and incur expenditure, and sign contracts.

**Financial delegation:** a power handed down to a second party to act on their own behalf, but not including power to further delegate. The second party is responsible for actions arising from their use of such power.

**Free Trade Agreement:** a formal agreement between one or more nations to foster better trade relations and economic integration through trade liberalisation resulting from opening market access to suppliers of the other party.

**Industry Capability Network:** a non-profit organisation funded by the Victorian Government to support import replacement and help Australian companies access export opportunities.

**Internal procurement unit (IPU):** a body in each department responsible for ensuring that procurement activity complies with VGPB policy. The IPU assesses the procurement capability of the organisation and prepares a capability development plan on an annual basis. It also identifies major procurement categories and reports annually to the accountable officer on the organisation's procurement activities.

**Machinery of government (MOG):** the allocation of functions and responsibilities between departments and ministers. In Victoria, these matters are the sole responsibility of the Premier.

**Market-based solutions:** The use of market-based solutions for procurement relies on applying strategies to gain relevant market knowledge to identify the optimal path to market and drive value-for-money outcomes.

**One-off supply:** a purchase of a specific quantity of goods or services which has been subject to a discrete quotation or tender process.

**Outer budget agency:** a public body that is not a department or an office as defined under section 16(1) of the *Public Administration Act 2004*.

**Prequalification arrangements:** Mechanisms that simplify the procurement process by having a supplier's capability, performance and management arrangements assessed upfront at a level that helps buyers identify appropriate suppliers for a particular procurement activity. Prequalification also reduces the administrative burden on suppliers who do not need to resubmit details when bidding for government contracts.

**Probity:** uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.

**Procurement:** all the business processes associated with purchasing, spanning the whole cycle from identifying needs to the end of a service contract or the end of the useful life and subsequent disposal of an asset. It also includes the organisational and governance frameworks that underpin the procurement function. Procurement does not include store management and logistics that are part of the wider subject of supply chain management.

**Procurement process:** the step-by-step process for the planning, establishment and contract management of small and large acquisitions.

**Procurement strategy:** provides an overview of an organisation's procurement profile and underpins the organisation's procurement governance framework. The procurement strategy is a requirement under the VGPB's new supply policies.

## Glossary (cont.)

**Registered training organisations (RTOs):** vocational education organisations that provide students with training resulting in qualifications and statements of attainment that are recognised and accepted by industry and other educational institutions throughout Australia.

**Request for quotation (RFQ):** a written process of inviting offers to supply goods and/or services involving simple documentation and a limited number of potential suppliers.

**Request for tender (RFT):** a request for offer against a set of clearly defined and specified requirements. Tenderers are advised of all requirements involved including the conditions of tendering and proposed contract conditions.

**Risk management:** Risks can occur at various stages in the procurement process and should be focused on both the operational consequences of non-performance and the risks to business delivery if a procurement activity does not achieve the desired value-for-money outcomes. Risks to the procurement activity should be continually monitored and managed, and new risks identified throughout the procurement cycle.

**Select tender:** a two-stage approach to the open market involving a registration/expression of interest, followed by a request for tender to a shortlist of registrants who satisfy an assessment of their capability and capacity.

**Sole entity purchase contract (SEPC):** a procurement arrangement established when a sole department has a specific requirement for frequently purchased goods and services. SEPCs are mandatory contracts for the department establishing the procurement arrangement.

**Standing offer agreement (SOA):** an agreement for commonly used goods and services that provides more effective and efficient procurement. It covers a set period of time, and usually requires no obligation on the State to purchase a particular quantity of the goods or services from the supplier. It includes SPCs and SEPCs.

**State purchase contract (SPC):** a mandatory standing offer agreement for departments for the purchase of goods and services. The purpose of SPCs is to pursue whole of government contracts to achieve the best value-for-money outcomes, and make best use of the State's aggregated purchasing power.

**Strategic procurement plan (SPP):** a detailed plan for a proposed procurement process. It outlines the procurement strategy for major contracts and draws a strategic connection between the higher level project planning and implementation through procurement.

**Supply policies:** policies created by the VGPB to govern procurement of goods and services by all Victorian Government departments (as per the definition in section 1(3) of the *Financial Management Act 1994*).

**Tender:** a document in the form of an offer to supply goods and/or services, usually submitted in response to a public or selective invitation such as an RFT.

**Tenders VIC:** the website provided by the Department of Treasury and Finance for advertising all government tenders.

**Value for money (VFM):** involves a balanced judgement of financial and non-financial factors. Typical factors include fitness for purpose, quality, whole-of-life costs, risk, environmental and sustainability issues, as well as price.

**Variation:** refer to contract variation.

**Victorian Government Purchasing Board (VGPB):** the government entity that develops and approves procurement policies, approves major referrals for goods and services from departments, and discusses related procurement policy and practice matters.

\* Source: Adapted from Paul Rogers (2012), *The Glossary*, Chartered Institute of Purchasing and Supply, <[www.cips.org/Knowledge/procurement-glossary/](http://www.cips.org/Knowledge/procurement-glossary/)>

# LINKS AND GLOSSARY

## Acronyms and abbreviations

<b>APCC</b>	Australasian Procurement and Construction Council	<b>DSDBI</b>	Department of State Development, Business and Innovation
<b>APU</b>	Accredited purchasing unit	<b>DTF</b>	Department of Treasury and Finance
<b>CIP</b>	Critical incident procurement	<b>DTLPI</b>	Department of Transport, Local Planning and Infrastructure
<b>CPO</b>	Chief procurement officer	<b>IPU</b>	Internal procurement unit
<b>DEECD</b>	Department of Education and Early Childhood Development	<b>MOG</b>	Machinery of government
<b>DEPI</b>	Department of Environment and Primary Industries	<b>SEPC</b>	Sole entity purchase contract
<b>DH</b>	Department of Health	<b>SOA</b>	Standing offer agreement
<b>DHS</b>	Department of Human Services	<b>SPC</b>	State purchase contract
<b>DOJ</b>	Department of Justice	<b>SPP</b>	Strategic procurement plan
<b>DPC</b>	Department of Premier and Cabinet	<b>SSA</b>	State Services Authority
<b>DPCD</b>	Department of Planning and Community Development	<b>VGPB</b>	Victorian Government Purchasing Board
<b>DPI</b>	Department of Primary Industries		

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