# Aligning with the Victorian Government Purchasing Board supply policies – goods and services procurement guide

This guide will assist agencies aligning with the goods and services supply policies administered by the Victorian Government Purchasing Board under Part 7A of the *Financial Management Act 1994*. Goods and services supply policies cover the whole procurement lifecycle. The policies are flexible to allow each agency to develop an approach that is appropriate to their procurement profile.

## Compliance requirements

Agencies subject to the Standing Directions, with some exceptions, need to follow the goods and services supply policies.

Under the Standing Directions agencies may develop systems, procedures and practices that suit their spend, size and risk profile

The Standing Directions compliance checklist includes mandatory policy requirements from the goods and services supply policies. Agencies may need to adjust existing policies and processes to ensure they meet these requirements.

## Summary steps to align with goods and services supply policies

### Step 1: Identify existing material

Use the alignment self‐assessment checklist to identify what information the agency currently has in place, for example:

* procurement policies, practices, processes, templates etc
* procurement related strategies e.g. social procurement strategy, corporate strategy
* other relevant procurement information

### Step 2: Assess existing material against mandatory policy requirements

* Follow the checklist of mandatory policy requirements against existing material to identify any gaps
* Follow the example framework which demonstrates how lower spend, lower risk can meet the requirements. The example framework is available on the [VGPB expansion community of practice on the innovation network.](https://innovationnetwork.vic.gov.au/my-network/groups/vgpb-expansion-community-practice)

### Step 3: Develop and implement a plan to meet the requirements

* Use this alignment guide to address gaps, taking into account the agency’s spend, size and risk profile.
* The chief procurement officer or equivalent, and agreement by the accountable officer, will determine the level of detail.
* The agency may develop a 2‐3‐year strategy to implement new or improved systems, procedures, practices or capability to increase procurement maturity over time.

### Step 4: Assess compliance with VGPB policies

* Assess compliance through the Standing Directions reporting process for 30 June if reporting on a financial year basis, or 31 December if reporting on a calendar year basis.

Assessing compliance with VGPB policies applies to [VGPB mandated agencies](https://www.buyingfor.vic.gov.au/goods-and-services-mandated-agencies) only.

## Detailed steps to align with goods and services supply policies

### Step 1: Identify what information is available

Some agencies may already have a procurement framework modelled on the goods and services supply polices or those of their lead department. Their framework may already meet the requirements of the goods and services supply policies.

It is good practice to work through the alignment information to make sure the agency:

* considers all mandatory policy requirements
* can attest at end of year to having no material compliance deficiency with the framework

The Standing Directions define material compliance deficiency as ’a Compliance Deficiency that a reasonable person would consider has a material impact on the Agency or the State's reputation, financial position or financial management.’

Agencies that have developed a procurement framework independent of the Victorian Government Purchasing Board can use the information to assess how well their framework aligns with the supply policies.

Examples of information to explore:

### Governance/decision‐making structure

An agency‘s governance structure should be appropriate to the complexity of the procurement activities and should link to decision‐making processes. Decision‐makers need access to the right information.

### Policies and internal processes related to procurement

Each agency should have established practices to manage procurement spend. Formal or informal, these policies and processes should incorporate relevant legislative and policy requirements to help employees:

* understand the agency’s approach towards procuring goods and services
* make transparent procurement decisions
* correctly document procurement activities and authorisations
* approval and decision‐making processes

Approval and decision‐making processes impact what, when and how to buy goods and services. These processes impact what contracts are in place and how to manage them, including invoicing and payments. The information must be traceable and auditable. If not, the agency’s procurement risk profile increases.

### Understanding agency procurement profile

Understanding the procurement profile can inform how the agency approaches its procurement strategy, policy and practices. Agencies with an established Social Procurement Strategy can use this as a starting point.

### Other sources of information:

* spend patterns – agency’s typical spend on goods and services i.e. what, when, how, timing
* contracts – what contracts are already in place, who manages the contracts, governance arrangements
* supplier profiling – existing suppliers, what they supply, types of contracts in place and how important the suppliers are to the successful delivery of the agency’s core business

The procurement framework will be proportional to the agency’s function, complexity and risk. A smaller agency with few contracts and procurement staff may be able to develop a short document outlining key considerations and decision processes.

Larger agencies, with a more complex spend profile, larger workforce and higher risk may need to develop a more complex framework.

### Step 2. Assess against requirements

Below are mandatory requirements numbered 1‐18 from the five goods and services supply policies.

### Governance Policy ‐ requirements 1‐6

Governance focuses on:

* procurement policy decisions and those involved
* systems and procedures ‐ ensuring that the procurement process has appropriate levels of control and probity

At a high level, establishing a governance framework requires:

* establishing roles and assigning procurement related responsibilities
* developing a procurement strategy that includes:
	+ forward procurement activity plan for key categories and key activities, available on a public facing website (high level summary of what procurements are likely to occur over the next 12‐24 months)
	+ supplier engagement plan
	+ agency level capability development plan
* establishing a complaints management process

There are guidance materials, tools and templates to help with these requirements. Application of these requirements is flexible and dependent on the agency’s procurement profile.

The procurement governance structure will vary for each agency. Roles and functions may include:

### Chief Procurement Officer role or appropriate governance structures and reporting requirements

Chief Procurement Officer may be:

* a stand‐alone role
* incorporated into another role e.g. Corporate Services, Operations or Finance.

The Chief Procurement Officer role or equivalent should:

* have visibility and oversight over the agency’s procurement function
* provide input into strategies and policies
* support value for money
* manage agency risk

### Internal Procurement Unit or appropriate governance structures and reporting requirements

Agencies may:

* establish an internal procurement unit or a procurement committee
* incorporate procurement decision making into a corporate area
* add this to agency’s leadership group responsibility
* have a plan to increase agency’s procurement capability
* report to the accountable officer on procurement activities

This group of leaders, who understands the role of procurement, will provide a level of review, oversight and a reason for buyers to substantiate the approach they wish to take.

Note that agencies can choose not to appoint a Chief Procurement Officer or Internal Procurement Unit. However, the governance structures and reporting requirements in place must be appropriate to satisfy the accountable officer that the agency can conduct its procurement activities.

### Procurement strategy

The governance framework includes a procurement strategy which outlines how the agency will manage its procurement activities and processes. The accountable officer should review the procurement strategy annually.

### Forward Procurement Activity Plan

Setting up a procurement activity plan provides an overview of what the agency is planning to buy at either a category and/or individual procurement level. The procurement activity plan is a live document and should be regularly updated to reflect an agency’s procurement requirements.

A published procurement activity plan:

* outlines anticipated procurements for next 12‐24 months with an easy to understand description of the procurement
* signals what procurements are at the planning stage, not market commitments
* should be accessible to suppliers for example published on agency website (agency’s own or part of lead department’s forward procurement activity plan) as early as is possible after the start of the financial year
* should provide point of contact for the procurement
* can include an estimated value (not required for public disclosure)

### Supplier Engagement Plan

Agencies should have processes, systems and/or effective communication approaches so that suppliers want to do business with government.

Timely, accurate and information relevant to suppliers builds trust and accountability with suppliers. Probity should shape how to manage relationships.

At minimum, the supplier engagement plan should address:

* how you will encourage suppliers to bid for work
* how you will engage them during and after the procurement process
* who in the agency is responsible for market engagement ‐ procurement team or buyer
* who holds supplier debriefs and handles complaints

### Capability development plan

Agencies need appropriate expertise to carry out their procurement activities. Note the capability development plan links with requirements 7 and 8, which outline processes for assessing procurement complexity and capability.

A capability development plan details how an agency will develop its capability to align with the complexity of anticipated procurements, as per the agency’s forward activity plan. Actions can focus on internal development or may identify the need to bring in external expertise.

A capability development plan should outline action required, if any, to improve:

* people
* systems
* policies
* processes
* experience
* resources
* training

### Emergency procurement plan

Agencies are required to have an Emergency Procurement Plan in place, that outlines how to manage procurement activities in response to an emergency in order to comply with the [Emergency procurement section](https://www.buyingfor.vic.gov.au/governance-goods-and-services-policy#2-emergency-procurement) of the VGPB Governance policy.

The emergency procurement plan should help staff to:

* understand their responsibilities for undertaking procurement activities to respond to an emergency
* manage different aspects of the emergency procurement response
* identify and manage procurement risk in emergencies.

The Emergency procurement plan should be reviewed annually as part of annual procurement planning.

Agencies must consider the use of state purchase contracts and registers where possible when the agency is impacted by an emergency.

Agencies remain responsible for specific record keeping and reporting during an emergency. The Governance policy outlines the minimum requirements.

Each agency’s annual report must document activation of emergency procurement, including details of the emergency procurement, the nature of the emergency, summary and total spend of the goods and services and number of contracts awarded valued at $100,000 (GST inclusive or more).

Contract disclosure requirements still apply and should be part of the agency’s policies and processes.

The [Emergency Procurement plan goods and services guide](https://www.buyingfor.vic.gov.au/develop-emergency-procurement-plan-goods-and-service-guide) and the [Emergency procurement plan template](https://www.buyingfor.vic.gov.au/emergency-procurement-plan-template-goods-and-services) support the Emergency procurement policy contained in the VGPB Governance policy. These resources can be used to help agencies develop a suitable process.

### Complaints management process

The complaints management process sets out:

* how suppliers can raise concerns about a procurement, process or probity
* what information the agency will need from the complainant
* how the agency will deal with raised concerns
* that the person involved in the activity is not the same person managing the complaint
* timelines that apply to complainant and agency

The complaints management process needs to be accessible and on a publicly facing website.

The [Complaints management – goods and services procurement guide](https://www.buyingfor.vic.gov.au/complaints-management-goods-and-services-procurement-guide) can help agencies establish a complaints management process.

### Complexity and Capability Policy ‐ requirements 8‐9

Procurement decisions involve assessing complexity and the capability of the agency to conduct procurement. Procurement can only proceed with the right capability to meet the complexity of the procurement activity.

Assessing complexity and capability should align with the agency spend profile. The capability development plan, requirement five, should outline:

* that the agency has a suitable level of capability
* the things and agency will initiate to have a suitable level of capability

### Procurement complexity assessment process

Complexity – goods and services procurement guide outlines key considerations when assessing complexity at an agency or individual procurement activity level. This is one way of integrating consideration of risk and value to help to classify procurement activities.

Less experienced buyers should manage procurement activities of lower risk and lower spend value.

Complexity assessments can help agencies use discretion when assessing the level of oversight required for low risk procurements.

### Capability assessment process

Agency capability assessment tool includes references to:

* governance
* people and culture
* technology and tools
* procurement processes
* sourcing and category management
* contract management
* performance management

Where the agency has more than one procurement practitioner, the team can specialise and expand capability to carry out more complex procurements as required.

People involved in procurement may help with:

* procurement policy and process development
* providing support, advice and direction to buyers across business units
* identifying information and developing reporting to support procurement activities
* designing and conducting the sourcing process
* shortlisting, evaluating and negotiating
* designing and awarding the contract
* managing the contract and reviewing achievements against business case
* managing contract and supplier transitions

### Market Analysis and Review Policy ‐ requirements 10‐12

### Market analysis and review process

Market research and analysis is a critical step of planning and allows the agency to:

* understand the market and the scope for competition
* to determine the best market approach

Agencies need processes to help procurers analyse market dynamics, at both:

* category level
* individual procurement activity level

This information is important for developing an effective procurement strategy. At a minimum this applies for new procurements or when renewing a contract.

Agencies can refer to the Market analysis and review – goods and services procurement guide for more information and to help with establishing this process.

Establishing categories, with the aim of aggregating spend, can be helpful, but is not necessary.

Agencies can use Understanding supply chain – goods and services procurement guide to assess supply chain risks when procuring goods and services.

Market analysis and review may not apply when using mandated state purchase contracts or sole entity purchase contracts.

### Information on aggregated purchasing: how to establish new, and access existing, state purchase contracts and or sole entity purchase contracts

There are mandatory and non‐mandatory state purchase contracts covering a broad range of non‐ construction goods and services listed on the Buying for Victoria website.

Transitional arrangements for using state purchase contracts apply to agencies aligning from 1 July 2021. Agencies will transition based on self‐assessment of spend on non‐construction goods and services against minimum spend thresholds. Agencies that spend less than $2.5million are not expected to use state purchase contracts, although they may choose to opt into these contracts on application to the lead agency. Agencies will allow existing contracts to run their full term before migrating to a state purchase contract.

If agencies can achieve the same or better value from their current supplier or, for example, from a local small business operator, the agency will be eligible to use the exemption process. The exemption process applies to mandatory state purchase contracts only.

If an agency wishes to establish a state purchase contracts or sole entity purchase contract, the agency must ensure that their processes are consistent with requirements outlined in the Market analysis and review policy. There is more information in the aggregated purchasing – goods and services procurement guide.

### Asset disposal process

The non‐prescriptive Asset Management Accountability Framework allows agencies to manage assets, in line with government requirements, and to their own circumstances. There is information related to asset appraisal and disposal and a separate attestation under Standing Direction 4.2.3. If the agency adheres to the Asset Management Framework, it will already comply with this requirement.

Asset management and planning should consider:

* the best process for disposal
* social and environmental impacts of disposing of assets

### Market Approach Policy ‐ requirements 13‐14

The Market approach policy requires buyers to develop an approach that suits the procurement activity, the supply market and achieves maximum benefit.

The Market approach – goods and services procurement guide will help with determining the appropriate path to market.

### Market approach process

Agencies must have in place and apply an appropriate market approach process that:

* is fair and equitable
* encourages participation from various suppliers including small and medium enterprises, social benefit suppliers and locally based businesses
* is fit for purpose
* applies and achieves probity standards. Some common methods of market approach are:
* quotations
* open tendering
* multi‐stage tendering
* limited tendering
* state purchase contracts where relevant.

Where appropriate, market approaches should support the delivery of agency’s corporate and service delivery objectives.

Refer to the buyer’s guide to procurement for other market approach options.

### Process for secure lodgement of tender submissions

Secure lodgement relates to the methods of submission. Ensure management of submissions and all further engagements is secure and maintains confidentiality and probity. Supplier submission requirements are part of the Invitation to supply documentation.

If an agency manages submissions electronically, IT systems need to be secure and trackable, with reference to security protocols.

Where physical submissions apply, agencies need to be able to provide evidence of:

* date and time received ‐ if via post or received before closing time when opening tender box
* security of submissions at physical location i.e. locked tender box

An agency needs to be able to confirm receipt of the electronic and or physical submission. The same rule applies to each part If there are multiple parts to the submission.

Agencies must also have processes in place to:

* inform suppliers of successful receipt of the submission
* notify a supplier if their submission is late
* outline how to handle late submissions in case there are disputes about processes or system issues Agencies may need to provide evidence of received submissions for audit purposes.

### Evaluation, negotiation and selection process

Buyers need to establish the evaluation process before initiating a market approach or issuing an Invitation to supply. It involves setting up a structured approach toward the selection process.

Include the evaluation method in materials issued as part of the Invitation to supply.

Evaluation, negotiation and selection processes must be fair and transparent and aim to select the most appropriate supplier for the procurement need.

Consider the following:

* internal policies and processes should emphasise evaluation of value provided, independent from the cost
* how the selection criteria and weightings relate to agency’s procurement goals
* declaration of conflicts of interests – consider small, regional interests
* value for money, in light of the overall benefit, not just lowest price
* selection and offer process
* documentation of the procurement outcome and negotiation
* debrief offer to the unsuccessful suppliers

The negotiation process seeks to improve value for money outcomes though discussion between the buyer and preferred supplier.

A negotiation strategy should consider:

* when it is appropriate to negotiate ‐ value, type of procurement, risk, criticality for business continuation and competition
* variable contract terms
* the scope of the original invitation to supply
* the need to conduct the negotiations in a manner that is transparent, fair and equitable

Many agencies may need additional approvals before they can establish a contract.

### Contract management and contract disclosure policy ‐ requirements 16‐18

The Contract management and contract disclosure policy requires agencies to develop a framework to manage contracts and deliver the goods and services as agreed.

Contract management is an area where agencies seek better outcomes. Without guidance from their agency, contract managers are likely to follow an intuitive process. This may not include sufficient structure to deliver as agreed, throughout the life of the contract.

The Contract management – goods and services procurement guide is a helpful resource that provides more information.

### Contract management (at an agency and individual level)

The agency level contract management planning strategy should detail management of procurement categories and individual procurements, at an individual contract level.

Contract management at the agency level should outline:

* policies for managing contracts for different levels of risk and complexity, and reporting requirements
* processes for helping contract managers do their job, and access appropriate escalation mechanisms
* people with the right capability to manage the contract performance, suppliers, KPIs, and the spend
* level of contract performance information provided to the accountable officer and senior management
* appropriate consideration to security protocols

Agencies should manage contracts in a way that is appropriate for the complexity and risk of the procurement activity.

The contract management planning strategy can be useful for strategic or complex contracts. Contract management for individual contracts is more than an administrative function.

It should involve:

* risk analysis (contract risk segmentation analysis, proximity to core analysis)
* commercial analysis (benefits tracking, financial management, pricing reviews, financial risk)
* suppliers and contract analysis (contract management plan, supplier relationship management, transaction management, variations)
* reporting (key performance indicators, reporting frequency, reporting hierarchy) All contracts need appropriate consideration to security protocols.

### Contract register

In line with Contract management and contract disclosure policy ‐ Mandatory requirements 1.2, agencies must:

* keep an appropriate record of contracts on a contract register
* have a process in place to ensure currency of all relevant insurance certificates

Agencies should collect and track enough information that allow them to conduct their planning, analysis and reporting activities. For example: agency process should include a prompt or a way of ensuring currency of relevant insurance certificates i.e. system alerts.

### Process to publish contracts greater than or equal to $100,000 inclusive of GST and greater than or equal $10 million inclusive of GST

Agencies need to establish a process that outlines requirements to publish contracts and contract variations on the Buying for Victoria Supplier Portal consistent with the Contract management and contract disclosure policy.

For contracts greater than or equal to $100,000 inclusive of GST, within 60 days of awarding a contract, agencies need to provide key details:

* type of contract – goods or services
* contract title
* contract term
* total estimated value
* contract description
* category

For contracts greater than or equal to $10 million inclusive of GST, within 60 days of awarding a contract, agencies should provide full contract information, i.e. upload the full contract.

Agencies should establish protocols and procedures for approving exemptions from disclosure. For example:

* trade secrets
* confidential business information
* information that can harm the public good can be withheld from disclosure

### Step 3: Develop and implement a plan to meet the requirements

After reviewing available information and guidance, agencies should be well placed to identify gaps and develop a transition plan linked to the implementation of various policies or requirements.

In some cases, the arrangements agencies already have in place will meet or exceed the requirements. These agencies will be well placed to share their policies, processes and materials with other agencies.

Agencies can approach their lead departments for advice and support.

### Step 4: Assess compliance annually

The accountable officer should be confident that the agency meets all the requirements under the goods and services supply policies. Assessment against the VGPB policies occurs as part of annual Standing Directions reporting processes for applicable agencies only.

## Using this guide

This guide accompanies the [goods and services supply policies](https://www.buyingfor.vic.gov.au/goods-services-supply-policies). There are 5 supply policies:

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

This guide supports all five goods and services policies

## Tools and support

For more information about using the Aligning with the Victorian Government Purchasing Board supply policies guide, please contact the goods and services policy team.

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