



AIDE MEMOIRE

Cabinet Paper: Enhancing the Effectiveness of Government Procurement Policy – Report back

Date:	7 May 2019	Priority:	Medium
Security classification:	In Confidence	Tracking number:	3434 18-19

Information for Minister(s)
Hon Shane Jones Minister of Regional Economic Development
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Isabel Poulson	Manager, Strategy and Policy	Privacy of natural persons	Privacy of natural persons	✓
Rose Stainer	Principal Policy Advisor	Privacy of natural persons		

The following departments/agencies have been consulted

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

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Purpose

This Aide Memoire supports your attendance at Cabinet Economic Development Committee (DEV) on 8 May 2019 where the Minister for Economic Development, Hon David Parker's Cabinet Paper: *Enhancing the Effectiveness of Government Procurement Policy – Report back* will be discussed. We recommend you support the paper.

Isabel Poulson
Manager, Strategy and Policy
 Provincial Development Unit, MBIE

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Cabinet Paper key messages

- On 23 October 2018, Cabinet agreed to further develop the existing government procurement policy framework to prioritise a broader set of outcomes. Public contracts will be leveraged to achieve social, economic, cultural and environmental benefits that go beyond the immediate aim of purchasing goods, services and capital works.
- Cabinet agreed to four priority outcomes:
 1. Increase New Zealand businesses' access to government procurement
 2. Increase the size and skill level of the domestic construction section workforce
 3. Improve conditions for workers and future-proof the ability of New Zealand business to trade
 4. Support the transition to a net zero emissions economy and assist the government to meet its goal of significant reduction in waste by 2020.
- The Cabinet Paper *Enhancing the Effectiveness of Government Procurement Policy* will be discussed at DEV on 8 May 2019. It provides detail on implementation, including amendments to the Government Procurement Rules which will impact on contracts of focus, definition of a New Zealand business, and progress on priority outcomes and monitoring and reporting framework.

- The Provincial Growth Fund (PGF) is noted as supporting progress under priority one: increase New Zealand businesses' access to government procurement. Consideration of how to leverage PGF contracts for broader outcomes is being incorporated into the Provincial Development Unit's (PDU) business processes. Further detail on PDU's work in this space is detailed below.
- The PDU has already started to operationalise this work as an early adopter. We recommend that you support the paper.

Incorporating broader outcomes procurement into the PGF

- The priorities of the PGF align well with the four priority procurement outcomes and contracts of focus. Although PGF contracts are not subject to the Government Procurement Rules as government is not directly procuring services, there is value in seeking broader outcomes from PGF contracts.
- PDU is working with the New Zealand Government Procurement and Property Group (within MBIE) to embed a broader outcomes approach into PGF processes. In particular, PDU see opportunities to:
 1. Ensure due consideration of local and regional firms to deliver goods, services and capital works; and
 2. Support procurement proposals that commit to deliver specific local training and employment opportunities for communities, particularly for Māori and youth.
- Initial work has focused on the following packages:
 1. *Tairāwhiti Roading Package (\$137 million)*:
 - Broader outcomes opportunity: Five year capital works programme requires significant input from regional contractors, and increased training and employment within the region to meet the labour capacity and capability shortfalls.
 - A Contract Board, composed of representatives from Gisborne District Council, NZTA and PDU, has been established to support and monitor progress towards developing and employing local workers. A target of 75% local workers has been set.
 2. *Rotorua Lakefront Development (\$19.9 million) and Whakarewarewa Forest Park Development (\$7 million) Packages*:
 - Broader outcomes opportunities: Number of contracts that will provide opportunities to use local firms and support training and improved employment outcomes for regional works, particularly Māori and youth.
 - Both funding agreements have a condition precedent stating that Rotorua Lakes Council must confirm the extent to which the objectives of the Government's Broader Outcomes work has, or can be, addressed through the procurement process.
 - The funding agreements also state that Rotorua Lakes Council must submit (as per item 11) Annual Reports for the duration of the contract detailing how it has (amongst other outcomes):

- leveraged Māori assets and increased the asset base for iwi beneficiaries; and
- improved sustainable jobs for Rotorua residents, particularly Māori by partnering with iwi who will ensure up to 25% of jobs across their developments are allocated to their own.

Next steps

- Early lessons from PGF projects will inform MBIE's development of a broader outcomes procurement policy framework, as well as PDU's broader outcomes procurement choices for future initiatives being funded through PGF.
- PDU will explore how it can support priority two: increase the size and skill level of the domestic construction sector workforce.
- Ministers for Māori Development and Economic Development are due to report back to Cabinet in July on indigenous procurement policies. This may inform future PGF approaches.