



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic and Regional Development
Title of Cabinet paper	Government procurement: Refreshing strategic priorities	Date to be published	03 February 2022

List of documents that have been proactively released

Date	Title	Author
November 2021	Government procurement: Refreshing strategic priorities and Annex One: Proposed work programme	Office of the Minister for Economic and Regional Development
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Information redacted

YES

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Confidential advice to Government.

In Confidence

Office of the Minister for Economic and Regional Development

Cabinet Economic Development Committee

Government procurement: Refreshing strategic priorities

Proposal

- 1 This paper seeks agreement to proposals to refresh strategic procurement priorities and position New Zealand's government procurement for the future.

Relation to government priorities

- 2 The proposals in this paper directly contribute to the Government's priority to build a productive, sustainable and inclusive economy. They indirectly contribute to other Government objectives – to accelerate our economic and social recovery, lay the foundations for a better future through reducing inequality and addressing child poverty, and reducing carbon emissions [CAB-20-MIN-0525].

Issue identification

- 3 New Zealand's procurement system is underperforming. We do not have good information about the value our procurement expenditure is achieving or how it is contributing to our priorities; the system is not as efficient as it should or could be; and unforeseen risks, delays and cost increases are impacting delivery. The system needs a reset.

Executive summary

- 4 Government procures goods and services that are essential for delivering the public infrastructure and services fundamental to economic growth and the well-being of New Zealanders. With approximately \$51.5 billion in annual procurement spend, it is crucial that the procurement system works effectively, supporting the growth of New Zealand business, empowering our diverse communities and contributing to economic, environmental, social and cultural objectives.

- 5 Notwithstanding significant initiatives that have recently been implemented or are in progress, including broader outcomes, Progressive Procurement and the Living Wage, the procurement system is underperforming. Key issues include:
 - *Data*: Procurement data is frequently unavailable, incomplete or low quality, leading to poor understanding of problems and difficulty in identifying solutions.
 - *Central oversight*: There is limited system-wide oversight, so that implementing new priorities is often patchy with some agencies changing practices quickly while others are slow to respond.
 - *Co-ordination*: Agencies typically work in silos, competing with each other for the same suppliers and/or without understanding the particular capabilities and limitations of the supply markets they are engaging with.

- *Delivery*: Many agencies focus unduly on overly-complicated, repetitive and time-consuming sourcing processes, with less attention to managing their contracts and supplier relationships beyond the sourcing stage.
 - *Expertise*: The capabilities needed to incorporate broader outcomes, understand market dynamics and supply chain risks, and bring innovation into procurement decisions are thinly-spread and not well-utilised.
- 6 This indicates that current arrangements are no longer fit for purpose. To reset the system, a new vision is needed. The proposed vision to underpin new strategic priorities is:
- “Government procurement supports people, communities and businesses to thrive and grow as they aspire to”
- 7 This vision has three key elements: delivering significantly more value to New Zealand; being much more responsive to government priorities; and achieving a level of system integrity and respect that is world leading, including incorporating the Treaty of Waitangi into its operation.
- 8 Achieving this vision will take a cultural shift in the way agencies undertake their procurement activities. We need to drive agencies to focus on outcomes rather than a “tick box” compliance approach, act together as a unified public service, understand and implement our priorities, strengthen partnerships with Māori and deliver outcomes for all New Zealanders. Every agency needs to contribute to this future, adapting its procurement and making this “business as usual”.
- 9 This paper proposes a work programme that will deliver this vision and will position New Zealand’s government procurement for the future. The proposed work programme is grouped around three strategic themes: data and transparency; working together as one government; and unlocking value.
- 10 Key elements of the proposed work programme include:
- **Improving the data system** that underpins procurement as the backbone for understanding issues and designing solutions. This includes enforcing existing reporting requirements, expanding requirements to include more comprehensive information, and developing a roadmap for integrating data from various agency sources and automating processes. As a result, we will know who is spending how much, with whom and on what. Making this data public will strengthen the accountability of all parties and enable better analysis of value and impacts, thus enabling better informed procurement decisions to be made across the state sector.
 - **Strengthening leadership** in key sectors, including more direct lines of accountability to the centre and more effective central oversight. This will involve a significant change in the way that we apply commercial and subject matter expertise and leadership to complex, specialist areas of procurement (e.g. construction, ICT, social services). It will improve delivery, innovation, risk management and market resilience, and support a consistency of practice and decision making that is currently lacking.

- **Strengthening supplier relationship and contract management** to reduce risks of delivery failure, exploit market capabilities, and improve innovation and resilience, particularly for key suppliers to government. An important aspect of this will be clearer communication of government expectations very early on in the procurement process.
- **Incentivising cross-agency collaboration** to create a culture of working as “one government”, thereby making full use of market capabilities, reducing duplicated effort by multiple agencies, and identifying opportunities for shared services. This will not only reduce costs but also improve efficiency and outcomes while delivering on the government’s priorities.
- **Business-friendly practice improvements and agency and supplier capability development initiatives** that address the time and complexity arising from repetitive tender processes and improve overall performance.

11 I want to ensure that procurement expenditure delivers as much public value – economic, social, environmental and cultural – for New Zealanders as possible. I am seeking Cabinet’s approval to commence this programme of work in order to address the issues impacting the effectiveness of the procurement system and to position it for the future.

Background

12 In July 2020, Cabinet directed the Ministry of Business, Innovation and Employment (MBIE) to develop a Government Procurement Strategy based on a set of strategic procurement priorities¹ [CAB-20-MIN-0326 refers].

13 While MBIE delivered a draft Government Procurement Strategy in response to this direction, in May 2021 this Committee noted that MBIE would refresh the strategic procurement priorities to align more strongly with post-COVID Government priorities and that I would report back when I had considered advice from MBIE [DEV-21-MIN-0107 refers].

14 This report responds to that direction. It proposes a comprehensive work programme that will ensure that government procurement is a strong lever for advancing the Government’s priorities and contributing to New Zealand’s well-being.

15 Confidential advice to Government

Overview of current government procurement

16 Procurement refers to all government purchases of goods and services from third party suppliers, regardless of value, source and type, and amounts to approximately \$51.5 billion of government expenditure per year. The system includes all aspects of public sector organisations’ planning, engaging with businesses, contracting with and subsequently managing the delivery of goods and services (including construction) from suppliers.

¹ The strategic procurement priorities were: drive change through leadership; strengthen capability and assurance; realise public value and increase benefits; build resilience in supply markets; and use technology to deliver results.

- 17 New Zealand currently operates a functional leadership model for procurement. Directions, priorities and the *Government Procurement Rules* (Rules) are set centrally. Individual chief executives and governing bodies are responsible for implementing these directions, priorities and rules through their agency's own procurement activities, and are subject to scrutiny by the Auditor-General, parliamentary processes and the public.
- 18 Procurement functional leadership is delivered through New Zealand Government Procurement (NZGP), situated within MBIE. NZGP drives system performance by assisting and supporting agencies to meet the Government's procurement expectations. Key functions include:
- Building the capability of procurement professionals across the public sector;
 - Providing specialist advisory services and hands-on support to those agencies that need it;
 - Developing guidance, tools and templates that support efficient delivery;
 - Centralised procurement of some commonly used goods and services.
- 19 The model relies on the Rules to set clear procurement standards, encourage processes that are fair and transparent, and set a clear expectation that agencies will look for opportunities to deliver Government's priority outcomes. Agencies then manage their own operational needs and levels of risk in procurement when making procurement decisions.
- 20 The Rules apply to ministries and departments, non-public service departments, crown entities, crown entity companies and Public Finance Act schedule 4A companies (approximately 140 agencies). The wider public sector is either *expected to* or *encouraged to* apply the Rules (approximately 2,900 entities).²
- 21 The initial objective of the procurement system was to realise efficiencies and cost savings. In 2019, we changed this to add a focus on broader outcomes, with the aim of achieving greater public value from government spend by also targeting environmental, cultural, economic and social outcomes (not just lowest price). More recently, initiatives such as the Progressive Procurement Policy and Living Wage have been implemented or are in progress, and are good examples of working across agencies to use procurement as a lever to get better outcomes for New Zealand.
- 22 Successes of New Zealand's procurement system to date have been:
- Significant cost savings;
 - Stronger procurement capability across government;
 - Flexibility for agency chief executives to make their own informed procurement decisions within centrally-set parameters and rules; and
 - Recognition that procurement can and should deliver more public value.

² Includes Crown Research Institutes, state-owned enterprises, schools, tertiary institutions and local authorities

System performance

- 23 While the government procurement system has a strong base, it is underperforming across a range of metrics, and thereby not delivering in ways that the government requires or the public expects. For the Government and taxpayers to have confidence that the \$51.5 billion spend by the state sector is delivering real social, environmental, cultural and economic value, significant parts of the system need to be improved and strengthened, and other parts need new and different approaches.
- 24 The following sections identify the key areas of system underperformance.

Data and transparency

- 25 Good decisions, the evaluation of policies and practices, and public accountability all rely on quality information. In many areas of the procurement system, however, information is unavailable, incomplete or of low quality. For example, we cannot accurately report how much the Government spends on goods and services, on what goods and services and with whom that money is spent (including the types of suppliers), or where threats and opportunities with these suppliers and supply markets might lie.
- 26 Data is key to understanding problems well enough to develop solutions. Without quality information, we are not able to make high quality, strategic choices about government spend. We also do not have enough visibility across the system to enable us to manage risk, identify and leverage opportunities, enable early intervention where needed, or systematically evaluate and report on activities and outcomes.
- 27 The barriers to good procurement information include:
- Weak incentives for agencies to provide accurate information, and under-compliance with existing reporting requirements (e.g. contract award information is published for only about 2.5% of the opportunities published on GETS);
 - Poor capability within some agencies;
 - Inconsistent data sets between agencies – information is not easily compared since the aggregation and integration of data from multiple agencies currently requires substantial manual manipulation;
 - Absence of data management systems that standardise the data to be collected and make it easy for agencies to report on procurement activity.

Accountability and leadership

- 28 Currently:
- There is a wide distribution of roles and responsibilities across the system, and limited system-wide oversight of procurement activities.
 - Agencies work in silos, resulting in competition with each other for the same suppliers (e.g. going to tender at the same time for construction projects) and/or without understanding the capabilities and limitations of particular supply markets.

- In some areas, there is an over-reliance on external experts, but in other areas specialist knowledge or expertise is lacking.
- There is limited ability to intervene when we see poor decisions being made.

29 Without clear lines of accountability and strong system leadership, we cannot be sure that the system is delivering the results we want, and to its potential.

Performance and delivery

30 Government priorities are being applied in some areas but not consistently, creating uncertainties and eroding performance. For example, we have required agencies to improve access to procurement opportunities for a wider range of New Zealand businesses, but it is not clear that all are doing so, or at the pace and with the urgency the Government and businesses expect. Agencies currently have few incentives to work collaboratively. Unforeseen risks, delays and cost increases are impacting performance and delivery.

31 A range of factors can underpin poor delivery, including inadequate planning, ineffective governance, poor decision making, and an overall lack of competence and capability. Specific issues contributing to poor delivery in procurement currently include:

- Agencies focusing heavily on the sourcing phase, but without strong contract and supplier relationship management practices to back it up;
- A complex operating environment in which procurement activities must address matters such as climate change and social inclusion, coupled with uncertainty about how best to give effect to government priorities;
- Relatedly, the capability needed to incorporate broader outcomes, market dynamics, supply chain risks (surety of supply, security issues or human rights abuse), and supplier diversity/innovation into procurement decisions;
- Limited collaboration among agencies, resulting in duplication of effort for both agencies and suppliers;
- Overly complicated, repetitive and time-consuming operational processes at agency level, and unduly narrow interpretation of rules; and
- A strong tendency to transactional buyer/supplier, rather than partnering-style, relationships.

Looking ahead: Vision for procurement

32 The areas of underperformance identified above indicate that the operating environment for procurement has fundamentally shifted from 'least cost' to a combination of 'maximising public value' and 'giving effect to government priorities'. Current arrangements are no longer fit for purpose. To reset the system, a new vision is needed.

33 The proposed vision to underpin new strategic priorities is:

“Government procurement supports people, communities and businesses to thrive and grow as they aspire to”

34 This vision has three key elements.

- *Delivering more value to New Zealand:* The system will make best use of the people, capabilities and resources that New Zealand has to offer, drawing on their diversity, expertise and location to get the best possible delivery of goods and services to New Zealanders. This includes freeing up highly capable suppliers to work innovatively, as well as supporting new suppliers to enter the procurement market.
- *Delivering on government priorities:* The system will be much more responsive to government priorities, and to changes in priorities as they shift over time. This means rapidly translating priorities into actions that are integral to the system – change will become ‘normal’, not an ‘add on’.
- *System integrity:* The system will be widely accepted and recognised as fair, transparent and adding value to New Zealand. Agencies and suppliers will seek to comply because they see the system as both enabling and fair, free of unnecessary barriers and providing support where it is needed.

35 Key new features that we are looking for are:

- Procurement insights are readily available, and are used to prove that investment and policy outcomes are (or are not) being met;
- Multiple data sets are readily available to help agencies understand supply market capabilities, inform procurement decisions, and therefore address issues and optimise outcomes;
- Multiple agencies work together as “one government”, thereby better informing procurement processes and decisions;
- The system responds to a rapidly changing operating environment, operating in partnership with trusted suppliers, and valuing outcomes as well as price and compliance; and
- The system supports the growth of diverse New Zealand businesses and communities, and their contribution to New Zealand’s economic success.

36 With the strategic priorities and procurement work programme that I am proposing, the reset procurement system will:

- Increase our ability to set direction and priorities from the centre, and hold agencies to account for delivery against those priorities;
- More effectively target hands-on support to agencies and suppliers that need it, while freeing up high-performing agencies and suppliers to get on with it;

- Generate greater public value by being more proactive and collaborative through the use of data and information that to date has been unavailable;
- Be a smart operator, using technology to realise efficiency gains and adapt to future change;
- encourage and foster innovation, particularly through supporting New Zealand's businesses to develop, grow and to win government contracts both domestically and overseas;
- support the aspirations and culture of our diverse communities, including through giving effect to the Treaty of Waitangi; and
- become a highly regarded, resilient system that works for the Government, is able to withstand scrutiny and delivers for all New Zealanders.

37 This is not a simple task: a cultural shift is required to change the way agencies think about their procurement activities. The procurement system needs to drive agencies to focus on outcomes rather than a “tick box” compliance approach, act together as a unified public service, strengthen partnerships with Māori, understand the priorities and deliver outcomes for all New Zealanders. This needs to become “business as usual” for all agencies across government.

Refreshing strategic procurement priorities

38 To achieve this future state, I propose a programme of work that will deliver the vision and is structured around three fundamental strategic shifts needed to modernise the procurement system. They are:

- *Data and transparency:* Procurement needs to focus more on strategic considerations and adding value (rather than running processes), and start shifting to a digital and automated future.
- *Working together as one:* We need a strongly connected procurement system where multiple agencies work as “one government”, driving collaboration among agencies, having productive relationships with suppliers, and building healthy supply markets.
- *Unlocking value:* Procurement practices need to be more efficient and effective, enabled by technology that makes things easier, supported by the right capability (including specialist knowledge) applied to the right procurement activities at the right time and focussed on more business-friendly procurement practices and making them the norm.

39 Actions to achieve our aspirations for the procurement system and make the shifts needed are set out in Annex One. These actions are the starting point for changes needed to realise the vision for procurement, and have been informed by discussions with public and private sector procurement

professionals and businesses/suppliers, both domestic and international, and literature and reports on government procurement models and reforms³.

40 All the actions listed in Annex One are considered necessary, and are based on strong support from stakeholders for the proposed priorities. The cultural shifts needed to support these actions and realise the 2030 vision will take time to achieve. Whether the actions in Annex One will be sufficient in practice to realise the vision will become clear as the initial packages of work are implemented. Further actions will be developed as the initial packages of work are delivered, and ongoing progress reporting will continually assess what is needed.

41 Key elements of the proposed work programme are:

Good information is the backbone of system improvement

- Improving procurement data and its transparency by enforcing existing reporting requirements, expanding those requirements to include more comprehensive information, and developing a roadmap towards automating data availability (bringing data together from various sources). This will enable us to know who is spending how much, on what and with whom and provide evidence that government policies have been implemented. Making this data public will strengthen accountability of all parties and allow greater definitional analysis of the concept of value, thus allowing more informed procurement decisions to be made across the state sector. While not a solution in itself, good information is the backbone to understanding procurement barriers, risks and opportunities, and developing high-quality solutions.

Industry-specific accountability and stronger central oversight

- Strengthening accountability in key sectors through stronger leadership and direct lines of accountability to the centre (including consideration of an appropriate governance framework and options for managing procurement activity differently). This will involve significant changes in the way that we apply commercial and subject matter expertise and leadership to complex, specialist areas of procurement such as construction, ICT, and social services. It will include options for stronger central oversight across the system and for harnessing capability that exists across the system to support less-capable agencies. Among other things, it will enable Ministers and the Procurement Functional Leader to know how well agencies are delivering, managing risks, and exploiting innovation and market opportunities, and to drive a consistency of practice and decision-making that has been lacking.

Strong supplier relationships to deliver innovation, exploit market capability, and build supply resilience

³ For example: UK Green Paper (2020), *Transforming Public Procurement* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943946/Transforming_public_procurement.pdf
 AT Kearney, *The Future of Procurement* <https://www.kearney.com/procurement/the-future-of-procurement>
 KPMG, *Future-proof Procurement* https://www.researchgate.net/publication/327222048_Future-proof_procurement_-_Now_or_never_The_big_procurement_transformation_English_version
Reforming Public Procurement (OECD, 2019) <https://www.oecd.org/gov/public-procurement/reforming-public-procurement-1de41738-en.htm>
Procuring for Broader Outcomes: A case study of New Zealand (OECD, 2021 – forthcoming)

- Increasing the focus on managing contracts and supplier relationships to improve delivery, particularly for strategically and critically important suppliers to government. Contract and supplier relationship management is key to reducing risks of delivery failure, increasing opportunities for innovation⁴ and building supplier/supply market capability and resilience. An important aspect of this relationship management is the clear communication of government expectations very early on in the procurement process.

Tangible benefits from collaboration

- Incentivising collaboration and create a culture of working together as “one government”, including strengthening partnerships with Māori across the system. Tangible benefits from agencies working together include better intelligence and understanding of market capabilities and limitations; less duplication of effort by agencies in planning procurements and engaging with markets; and identifying opportunities for shared services. This will not only reduce cost, but also improve efficiency and procurement outcomes while delivering on the Government’s core priorities.

Practice improvements and capability development

- Driving better performance through a range of business-friendly practice improvements and agency and supplier capability development initiatives that address the time and complexity arising from repetitive tender processes. This work includes addressing practice issues raised by businesses/ suppliers, opening up alternative approaches to procurement (for example where markets are limited or where there are opportunities to develop local supply capabilities) and developing a roadmap for process automation.

42 These actions represent a significant change programme, but we need this level of change in order to get the results we want from procurement. Some of the proposed actions – including the sector leadership initiative and the use of procurement to support innovation and develop local supply capability – are likely to require further decisions. I have asked MBIE officials to provide further advice to the Minister of Finance and me by June 2022 on how the sector leadership model will work in practice and whether innovation models in use in other jurisdictions might be of benefit in New Zealand. In addition, MBIE officials will provide me with regular updates on progress, including whether the work programme is on track to achieve the 2030 vision, which I will report back to this Committee annually.

Implementation

43 New Zealand Government Procurement will lead the implementation of the actions set out in Annex One in collaboration with the government agencies and markets involved. However, every agency has a role in adapting its procurement activities so that we realise the full potential of and our vision for New Zealand’s government procurement.

⁴ Innovation comes from strong supplier relationships that focus on delivering new solutions (innovation), ongoing improvements and adding value.

Financial Implications

- 44 There will be financial implications arising from some of the procurement proposals in this paper. Officials propose to address these first through re-prioritisation of activities and exploring funding options. Where this is not possible, officials will provide further advice and seek funding through the budget process.

Legislative Implications

- 45 There are no legislative implications arising from the proposals in this paper.

Impact Analysis

- 46 There are no regulatory, climate, population or human rights implications arising from the proposals in this paper.

Consultation

- 47 The Treasury, Department of Prime Minister and Cabinet, and the Public Service Commission were consulted on this paper. In addition, the following agencies were consulted on this paper and/or the proposed work programme: Accident Compensation Corporation; Department of Corrections; Department of Conservation; New Zealand Defence Force; Ministry of Education; Ministry of Foreign Affairs and Trade; Infrastructure Commission; Inland Revenue Department; Department of Internal Affairs; Kāinga Ora; Oranga Tamariki; Ministry of Social Development; Te Puni Kōkiri; University of Auckland; Auckland Council; and Nelson Marlborough District Health Board.
- 48 Other agencies and organisations either involved in the development of the proposed work programme or that have commented on it include Ākina, Amotai, and MBIE's Business Reference Group which includes representatives from Business New Zealand, Maritime New Zealand, Metals New Zealand, several consultancies, and the Civil Contractors Association.
- 49 Consultation revealed widespread willingness to reset what government procurement will look like in the future, and to actively work to build a better procurement system. Some agencies felt that the programme was not sufficiently ambitious, while others felt it was trying to achieve too much, too quickly. Some agencies expressed concerns about resourcing and funding.

Communications

- 50 MBIE will communicate the procurement decisions in this paper through its usual channels to the wider procurement sector (e.g. through newsletters, website, meetings, etc).

Proactive Release

- 51 This paper will be proactively released in full within 30 business days of decisions confirmed by Cabinet, in line with Cabinet Office circular CO(18)4 *Proactive Release of Cabinet Material: Updated Requirements*.

Recommendations

It is recommended the Committee:

- 1 **note** that the Minister for Economic and Regional Development undertook to report back on refreshed strategic government procurement priorities that aligned more strongly with post-COVID Government priorities [DEV-21-MIN-0107 refers];
- 2 **note** that key elements of the proposed vision for New Zealand's procurement system are: delivering more value to New Zealand; delivering on government priorities; and a system that is fair, transparent and has integrity;
- 3 **note** that to deliver on this vision, significant aspects of the procurement system need to be strengthened and other aspects would benefit from new and different approaches, involving a cultural shift by all agencies in their approach to procurement activities;
- 4 **note** that a focus on improving three key strategic priority areas will result in greater confidence that procurement spend is delivering the best public value possible, namely:
 - a. moving to more transparency, digitalisation and automation, enabling procurement to focus on strategic considerations and adding value
 - b. working better as "one government" with direct lines of accountability to the centre and stronger central oversight, and a procurement leadership model that drives collaboration among agencies and productive relationships with suppliers
 - c. unlocking value through streamlining policy and practice and ensuring the procurement profession has the right skills and capability to underpin the success of the system
- 5 **approve** the proposed strategic procurement priority areas and the programme of work to position government procurement for the future (attached as Annex One);
- 6 **Confidential advice to Government**
- 7 **invite** the Minister for Economic and Regional Development to report back annually to this Committee on progress on the procurement work programme.

Authorised for lodgement

Hon Stuart Nash
Minister for Economic and Regional Development

Annex One: Proposed work programme

Annex One: Proposed work programme

Strategic priorities for Government procurement

Vision: “Government procurement supports people, communities and businesses to thrive and grow as they aspire to”.

Mission: A programme of work to reset the government procurement system so that it delivers substantially more value to New Zealand; responds more rapidly to changing government priorities; and is widely regarded as fair, transparent, inclusive and efficient, without unnecessary barriers to proven highly-capable agencies and suppliers and delivering practical hands-on support to those that need it.

Strategic Focus Area	Priority areas	What will be different (24-month horizon)	Out years	Aspiration 2030
Data and transparency	<p>Workstream One: Transparency and accountability</p> <p>Currently procurement information is either unavailable or of low quality, with limited visibility of procurement activities, expenditure, delivery and outcomes.</p> <p>Key areas of work:</p> <p>Improve transparency</p> <ul style="list-style-type: none"> • Enable the capture of information on broader outcomes, other government priorities and types of suppliers by adding data fields into the GETS system (contract award data) and collating information from other digital platforms (e.g. marketplace/s) • Introduce requirements to publish contract award notices in respect of contracts awarded under panel contracts (currently no requirement to publish these) • Enforce the requirements to publish contract award information • Publish data in formats consistent with the <i>open data contracting standard</i> (an internationally recognised data standard enabling analysis by a wide range of users) <p>Foundations for the future</p> <ul style="list-style-type: none"> • Leverage existing initiatives to accelerate and automate data availability, e.g. e-invoicing platforms and common process model (standardising back office functions) • Establish performance metrics, create system performance reporting (e.g. dashboards or scorecards) and establish the baseline • Design a blueprint and a pathway towards an integrated data system and prioritised implementation path 	<ul style="list-style-type: none"> • More complete picture of government expenditure (who is spending how much on what and with whom) in respect of the mandated agencies • More complete picture of the types of suppliers (e.g. Māori, SMEs, social enterprises, etc.) that are being awarded government contracts • Evidence of government’s outcomes being delivered (or otherwise) • Improved accountability incentivised by transparency of information • Visibility of baseline data and increased ability to track performance and trends against established metrics 	<ul style="list-style-type: none"> • Embedding a culture of using data to gain insights that support strategic evidence-based decision making • Progress data and insights capabilities so that information and insights are routinely used to prioritise outcomes • Progress the priority initiatives identified on the data system blueprint 	<p>An integrated procurement data management system that applies common data standards across the system, combines data from multiple sources, and enables meaningful aggregation, analysis and reporting of government procurement.</p> <p>In this data environment:</p> <ul style="list-style-type: none"> • We can and do track such matters as supplier performance, market dynamics, risks of poor performance and benefits achieved. • Procurement insights are used to prove that investment and policy outcomes are (or are not) being met. • We can distinguish between high- and poor-performing agencies and suppliers, and are able to target the right support to those that need it most – such as local suppliers, SMEs, Māori businesses, etc. • We can readily report against any procurement or policy outcome without the need for extensive system updates or single-purpose surveys.

Strategic Focus Area	Priority areas	What will be different (24-month horizon)	Out years	Aspiration 2030
Working together as one	<p>Workstream Two: Accountability, collaboration and delivery</p> <p>Existing settings do not incentivise agencies to work together as one unified accountable government procurement system. There is significant duplication and processes can be a barrier to innovative approaches or fail to deliver on outcomes. Supplier relationship and contract management needs improvement with limited strategic management of critical supply chains or understanding of supplier/supply chain health.</p>	<ul style="list-style-type: none"> • The structure will be in place for a sector-based approach with clear leadership and lines of accountability, including the role of New Zealand 	<ul style="list-style-type: none"> • Sector leads build on existing initiatives to develop and implement strategic plans co-designed with their sectors. This could include working with 	<p>A strongly-connected procurement system in which agencies work together as “one government”, and suppliers engage seamlessly with the system without having to prove their credentials and track record to multiple agencies in multiple contexts.</p>

Strategic Focus Area	Priority areas	What will be different (24-month horizon)	Out years	Aspiration 2030
	<p>Key areas of work:</p> <p>Establish a sector-based leadership model with direct lines of accountability to the centre</p> <ul style="list-style-type: none"> • Design and implement a new model that strengthens accountability, leadership and collaboration across sectors/industries. This will involve significant change in the way we approach procurement in some areas so that commercial expertise and leadership are applied consistently in critical/specialist areas. The workstream includes: <ul style="list-style-type: none"> ○ All the preparatory work underpinning a significant change in the way that complex, specialist areas of procurement (e.g. construction, ICT, social services) are delivered ○ Consideration of industry expertise, funding, governance and accountability, roles, responsibilities and reporting lines ○ Working with the Public Service Commission, Functional Leads, Heads of Profession and other relevant agencies and groups such as the Infrastructure Commission and the Social Sector Commissioning Project Board, and ○ Examining the role of New Zealand Government Procurement in the new model <p>Strengthen supplier relationship and contract management (SRM)</p> <ul style="list-style-type: none"> • Implement supplier relationship and contract management to improve agency SRM practices, including: <ul style="list-style-type: none"> ○ Develop standards and expectations together with a toolkit of guidance and tools to lay the foundation for good supplier relationship management practices, including stakeholder engagement, robust performance, risk and contract management ○ Implement governance models as needed that reflect the strategic importance and risk associated with suppliers ○ Create a people and skills development plan to support good practice • Implement cross-government supplier relationship management for strategically and critically important suppliers to government, including establishing criteria for identifying these and an appropriate governance and reporting regime <p>Leverage collaboration models</p> <ul style="list-style-type: none"> • Review existing collaboration models and implement changes as needed to ensure they are fit for purpose and delivering broader outcomes, invest in active management of syndicated contracts and report on results for collaborative activities • Incentivise agencies to lead and engage in collaborative contracting • Establish a framework to support the full spectrum of collaboration from networking/sharing knowledge and intelligence to undertaking joint activities (not just aggregations of need) or sharing resources 	<p>Government Procurement in this new structure</p> <ul style="list-style-type: none"> • Greater confidence in delivery, improved risk management, increased innovation and greater market resilience • Improved trust between agencies and suppliers • Efficiency gains from increased cross-agency collaboration • Trend analysis and analytics (e.g. risks, opportunities and areas for attention) on key suppliers • Ability to start analysing and considering opportunities for shared services • Ability to leverage improved SRM for insights and drive strategic management of critical supply chains, create tangible opportunities to improve innovation and harness broader outcomes 	<p>industry to understand supply markets and attendant risks, co-create shared objectives and use different contracting models (e.g. procure for programmes of work, not just one project)</p> <ul style="list-style-type: none"> • Extend sector based initiatives to new categories and build on existing initiatives (e.g. Industry Transformation Plans, Construction Accord approach) • Establish shared services for agencies without the critical mass to warrant dedicated procurement resources 	<p>In a “one government” world:</p> <ul style="list-style-type: none"> • Agencies collaborate by default because they see that it is in their interests to do so • Agencies have more productive and deeper relationships with suppliers because they have the benefit of shared knowledge about each other. • The performance and resilience of supply markets broadly is well understood, and informs the deliberate building and maintenance of healthy supply chains, with tangible additional benefits to New Zealand as a result.
Strategic Focus Area	Priority areas	What will be different (24-month horizon)	Out years	Aspiration 2030
Unlocking value	<p>Workstream Three: Procurement performance</p> <p>Procurement policies and practices focus largely on sourcing suppliers/providers through repetitive tendering processes, with limited automation and recurrent</p>	<ul style="list-style-type: none"> • New Zealand business will spend less time and effort on tendering 	<ul style="list-style-type: none"> • Build category/industry procurement experts (e.g. a “licence to buy” model) and have clear information on 	<p>Highly-capable strong-performing agencies and suppliers can make fast decisions within clear parameters, leading to faster delivery</p>

Strategic Focus Area	Priority areas	What will be different (24-month horizon)	Out years	Aspiration 2030
	<p>criticisms from both suppliers and procurers about time and complexity.</p> <p>Key areas of work:</p> <p>Business-friendly procurement practices</p> <ul style="list-style-type: none"> Streamline processes in collaboration with business to make it genuinely easy for New Zealand businesses including SMEs and Māori businesses to participate including as subcontractors or in the supply chain Review panel contracts with a view to improving the distribution of work awarded under those arrangements and consider options for moving to marketplace models for transactional purchases Champion alternative approaches to traditional tendering, for example, contracting for outcomes, agile procurement, etc. explaining when and how to use them and provide relevant tools, checklists and guidance Establish enduring contracts with specific suppliers (e.g. iwi) Work with agencies and sectors to design and implement strategies for building markets <p>Policy and practice improvements</p> <ul style="list-style-type: none"> Create a more balanced focus in the Government Procurement Rules to cover the full procurement lifecycle (i.e. include planning and contract management, not just sourcing) and require more agility and less administrative burden in processes Set clear expectations and provide practical information on operationalising the Rules, particularly in respect of implementing broader outcomes Identify processes that could be automated and create an “automation roadmap” for implementation Streamline procurement of common goods and services, for example through automated catalogue purchasing <p>Capability</p> <ul style="list-style-type: none"> Implement a plan that drives and motivates the profession to develop the capabilities they need now and in the future Redesign the procurement competency framework to cover the skills and competencies needed for the full procurement lifecycle and address the needs of stakeholders, including cultural competencies Undertake a capability audit to understand current skills, map to future skills needs, and implement capability development initiatives to address gaps Use Procurement Capability Index results to inform and proactively drive improvements across the system Create professional standards that encompass the skills needed into the future Review the use of procurement contractors/consultants, project managers and other experts and determine approaches to better manage their use and drive better performance across the system 	<ul style="list-style-type: none"> Increased participation rates by New Zealand business with greater opportunities to win contracts as processes will be easier Alternative procurement approaches are being used more often, with broader outcomes approached more consistently (less confusion within agencies and the supply market about what to do) Improved environmental sustainability outcomes and more social inclusion (e.g. diversity of supply base and better labour/employment outcomes) Work awarded under panel contracts will be more fairly distributed Better procurement practices from improved capability 	<p>procurement networks and capabilities</p> <ul style="list-style-type: none"> Set up shared resourcing so agencies can access expert advice and support when they need it Implement the automation roadmap Implement further enduring contracts with recurrent suppliers to NZ Government 	<p>and greater value.</p> <p>Small and new agencies and suppliers are well supported to engage in government procurement and grow their capability.</p> <p>This delivery environment includes:</p> <ul style="list-style-type: none"> Procurement practices are efficient and effective, enabled by technology that makes things easier for all The right capability, including specialist knowledge, is applied to the right procurement activities at the right time. The procurement profession is able to respond to the changing environment and operates in partnership with trusted suppliers, valuing supplier behaviours as much as price.

The priority areas identified in this programme of work are the high-level actions needed to progress towards the 2030 aspirations for the procurement system, while also delivering material change over the next 12 to 24 months. As these priority areas are developed further (in particular IT changes needed to improve data and automate more processes or establishing sector leads as a function), further policy and funding decisions will be required. The cultural shift needed to achieve the 2030 vision will take some time and necessitate further actions – these actions will be developed as the initial packages of work are implemented.