



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Minister for Economic and Regional Development
Title of Cabinet paper	Government Procurement: Report back on progress towards implementing Strategic Priorities and Broader Outcomes	Date to be published	8 August 2022

List of documents that have been proactively released

Date	Title	Author
June 2022	Government Procurement: Report back on progress towards implementing Strategic Priorities and Broader Outcomes, and 'Procurement for the Future' New Zealand Government Procurement Strategy	Office of the Minister for Economic and Regional Development
22 June 2022	Government Procurement: Report on Progress Towards Implementing Strategic Priorities and Broader Outcomes DEV-22-MIN-0142 Minute	Cabinet Office

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of Confidential advice to Government.

In Confidence

Office of the Minister for Economic and Regional Development

Cabinet Economic Development Committee

Government Procurement: Report back on progress towards implementing Strategic Priorities and Broader Outcomes

Proposal

- 1 Cabinet approved strategic procurement priority areas and a programme of work to position government procurement for the future in November 2021 [DEV-21-MIN-0224 refers] and invited a report back on progress.

Issue identification

- 2 The government procurement system is not delivering value in ways that the Government and our communities expect. As a consequence, a major overhaul of the procurement system including its processes and culture is now underway. This paper provides Cabinet with progress updates on implementing the new strategic priorities agreed by Cabinet in November 2021 and on delivering broader outcomes through government procurement.

Relation to Government priorities

- 3 The progress on implementation of the procurement work programme and broader outcomes set out 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].

Executive Summary

- 4 In November 2021, Cabinet approved strategic priorities for procurement and a programme of work to position government procurement for the future [DEV-21-MIN-0224 refers] and invited a report back on progress.
- 5 Cabinet's decision was based on a need to strengthen some aspects of the procurement system and to introduce new and different approaches in order to obtain greater confidence that procurement spend is delivering the best public value possible. To achieve a 2030 vision of a procurement system that delivers more value for New Zealand, delivers on government priorities and is fair, transparent and has integrity involves a significant change programme and a cultural shift by government agencies in the way they approach procurement activities.

- 6 The programme of work is structured under three strategic focus areas, namely 'Data and transparency'; 'Working together as one'; and 'Unlocking value'. Progress against key activities includes:
 - 6.1 Development of a strategy incorporating the vision and strategic priorities directed by Cabinet;
 - 6.2 Forming a detailed, fully-scoped programme of initiatives, including prioritisation and sequencing of actions, a dedicated programme management team, and programme controls to drive work efficiently to achieve the significant changes Cabinet expects;
 - 6.3 *Data and transparency*: Work is underway to create a cross-government digital e-procurement ecosystem that will enable all agencies and suppliers to shift their procurement activities to a digital environment, and simultaneously collect the data that is needed to effectively manage the system, reduce reporting burdens and create better insights;
 - 6.4 *Working together as one*: A working group comprising procurement specialists from the public and private sectors is on track to deliver options for a sector-based leadership model that will support stronger accountability, better delivery of procurement in certain sectors, and priorities set by Cabinet; and
 - 6.5 *Unlocking value*: Projects are underway aimed at developing procurement capabilities, transforming "the way we work" and improving supplier relationship and contract management across government. A key achievement is the release of a digital 'Document Builder' which automates and simplifies the creation of a range of procurement documents.
- 7 In the context of the scale of change required, work to date has placed the programme in a strong position to deliver ambitious results over the medium-long term. Current actions are on track to deliver early and important 'wins' and they constitute a good start on the actions required to deliver substantive system changes.
- 8 By the end of 2022, I am expecting delivery of:
 - 8.1 A widely-accessible early dashboard on spend analysis, sector performance and procurement capabilities based on the integration of existing data;
 - 8.2 Completion of the first phase of the procurement of a digital procurement platform which will, over time, enable agencies and suppliers to shift their procurement activities to a digital environment;
 - 8.3 An agreed sector leadership model and commencement of a sector leadership pilot; and
 - 8.4 Arrangements to establish a professional community of practice to support professional development and encourage a culture of collaboration.

- 9 I am also taking the opportunity to update Cabinet on the delivery of Broader Outcomes through procurement. Since the introduction of an initial set of Broader Outcome priorities in October 2019, further significant initiatives have been implemented aimed at delivering better social, economic and environmental outcomes through government procurement.

Background

- 10 In November 2021, Cabinet approved three strategic priorities for government procurement and associated streams of work to deliver them [DEV-21-MIN-0224 refers]:

10.1 Workstream 1: Data and Transparency

10.2 Workstream 2: Working together as one

10.3 Workstream 3: Unlocking value

- 11 These priorities were identified as the key areas where improvement is needed. There is a dearth of government-wide data to inform decisions and measure procurement performance. There is limited automation of procurement activities, including data collection and reporting, and often systems in use do not interact with each other. Delivery and accountability need strengthening, and there are a range of practices that need improvement.
- 12 Cabinet invited the Minister for Economic and Regional Development to report back to DEV on progress towards implementing these priorities. This report responds to that invitation.
- 13 In April 2022, Cabinet noted that the Public Services Commissioner intends to designate the Secretary for Business, Innovation and Employment as System Leader for Procurement under section 56 of the Public Service Act 2020 [GOV-22-MIN-0003 refers]. The System Leader for Procurement is planning to report to Cabinet in October 2022 on her detailed mandate for achieving a significant change in the way procurement operates. That mandate will be fully consistent with the strategic priorities and programme of work noted above.

Programme of change

- 14 To deliver the 2030 vision, a significant programme of change covering systems, people and culture is required.
- 15 Since Cabinet's decision in November 2021, New Zealand Government Procurement (NZGP) has established a dedicated programme management team and undertaken prioritisation and sequencing of initiatives under the three workstreams. Work to date places the programme in a strong position to deliver ambitious results over the medium-long term.
- 16 Current short-term actions are on track to deliver early and important 'wins' – they constitute a good start on the actions required to deliver substantive system changes. Details on key activities are set out below.

Strategy: Procurement for the Future

- 17 A short draft strategy document 'Procurement for the Future' has been developed and released to government agencies, procurement practitioners and stakeholders (attached as [Annex A](#)). It expands on the strategic priorities agreed by Cabinet. It is designed to inform a broad range of stakeholders, including procurement practitioners and procurement leaders – both within and outside government – about the direction and priorities for government procurement.
- 18 Reaction to the strategy to date has focussed on a desire for more detail about the actions needed to achieve change. This action plan is under development and will be communicated widely when finalised.
- 19 Ministry of Business, Innovation and Employment (MBIE) is also reviewing how NZGP should be organised to give best effect to the strategy, including aligning its roles and functions to the new direction for government procurement. This is expected to result in delivery of a new operating model for NZGP, to be tested and implemented from July through to late 2022.

Workstream 1: Data and Transparency

- 20 The objective of this workstream is to significantly improve the data available to inform both day-to-day procurement delivery and overall management of the system. It includes making data broadly available to agencies and suppliers, and optimising its collection, analysis and management.
- 21 This workstream has two main sub-streams:

Digital platforms and tools

- 21.1 Digital platforms and tools are the foundation that will enable the digital transformation of the procurement system. The aim is to create a one-stop-shop e-procurement ecosystem where information, tools and opportunities are all accessible, timely and targeted, making it easier for agencies and suppliers to do business.
- 21.2 A Request for Information to providers of digital procurement software was undertaken in February to gain information on what is available in the market, with a view to informing and enhancing the functional requirements for digital procurement tools. NZGP is now actively engaged with leading procurement agencies to identify where co-design and collaboration can support the formation of the most effective digital platforms.
- 21.3 NZGP is also currently developing a design system and visual language for all the digital tools in the ecosystem. This will support future ecosystem deployments, improved user experience and the application of organisational self-service profiles for agencies and suppliers. The design work is expected to be completed by late-2022.

System performance metrics

- 21.4 Metrics that enable an assessment of how well the procurement system is performing are essential to driving better decisions and behaviours across government, improving accountability and increasing the transparency of public value achieved. No such metrics – including basic data about spend and changes over time – are currently in place.
- 21.5 An interim dashboard giving an early view of procurement spend is being developed and will be presented to key stakeholders by the end of 2022. A plan for the progressive rollout of further system metrics enabling all stakeholders to gain insights about procurement performance is also being developed.

Workstream 2: Working Together As One

- 22 The objective of this workstream is to enable central oversight across the procurement system, introduce sector-specific procurement expertise and leadership, co-ordinate procurement projects where there are benefits in doing so, and strengthen accountability for procurement decisions and choices.
- 23 A key initiative in this workstream is to create leadership within the procurement system at sector level, including direct lines of accountability to the centre. This is likely to involve appointing high-calibre ‘sector leads’ (e.g. for sectors such as construction, ICT, social services, corporate services, etc.) who have deep insights into those sectors and are able to guide the behaviours and practices of agencies and suppliers towards improving delivery, adopting more innovative and flexible practices, and co-ordinating activities where there are public benefits from doing so. Sector leads will work within the directions and standards set by the Procurement System Leader, which the Public Service Commissioner will designate under the Public Service Act 2020 [GOV-22-MIN-0003 refers].
- 24 A small working group comprising policy experts and procurement specialists from both public and private sectors is currently designing options for a sector-based leadership model. This co-design approach is intended to ensure that the adopted model will work effectively for all parties.
- 25 I expect to receive advice on how a sector leadership model could operate by June 2022, including options on how the Minister responsible for government procurement can review procurement decisions that do not give best effect to the Government’s low-carbon building policy. Following agreement by Ministers on this advice, a sector leadership pilot with a detailed governance and risk management framework is planned to commence before the end of 2022.

Workstream 3: Unlocking Value

- 26 The objective of this workstream is to improve day-to-day procurement processes, practices and behaviours so that government procurement delivers the best possible value for New Zealand. This objective is supported by both better data (Workstream 1) and more co-ordinated leadership (Workstream 2).
- 27 This workstream has two main sub-streams:

Lifting the professional capability of procurement practitioners

- 27.1 The capability of public procurement practitioners is critical to meeting the Government's aspirations for the procurement system and, across government, it is patchy – many tend to take a rules-based approach rather than the outcomes-based approach that the Government wants. Addressing this is a matter of both individual upskilling and leveraging capability across the system.
- 27.2 This year, the Te Whānau Manaaki programme for government staff involved in the procurement and management of social services has been established. The programme is planned to deliver 56 training workshops on social service procurement to approximately 700 government staff by the end of 2022.
- 27.3 Following a review of local and international procurement competency frameworks, work is under way with agencies with a view to delivering a fit-for-purpose New Zealand framework of core procurement competencies by mid-2023. Relatedly, a procurement professional 'community of practice' is being developed jointly with agencies and will leverage existing expertise, thereby encouraging a culture of collaboration. A detailed programme for the community of practice will be in place by the end of this year, including its governance arrangements.

Improving business practices

- 27.4 This sub-stream aims to make procurement practices easier for both government agencies and suppliers.
- 27.5 A new digital document platform 'Document Builder' has recently been released which automates and simplifies the creation of a range of procurement documents required for government agencies. This platform will substantially reduce the effort required from both suppliers and agencies in reaching procurement solutions, and can be connected to further automated processes in future. It is a key instance of using innovation and technology to make procurement easier for businesses.
- 27.6 In order to leverage existing work into wider system value, some agency-level initiatives have been brought into the programme of work. The initiatives identified support better business practices generally. They include:
 - 27.6.1 *Supplier Performance Tool*: The Ministry of Education has developed a tool to assess and record the performance of construction suppliers across the Ministry. It has potential to be scaled up for wider use in consulting services and across government.
 - 27.6.2 *Influencing in Action*: The Department of Corrections has established this programme to build the skills of procurement professionals to influence changes in practices. The initial focus is on young professionals from multiple agencies. Subject to results, this programme could also be scaled up.

Assessment of overall progress

- 28 Since November, the foundations of a substantial and complex programme to reset New Zealand's procurement system in line with Cabinet's directive have been established. These include the prioritisation and sequencing of the actions; establishing a dedicated programme management team under the direction of a full-time Programme Director; and putting in place the programme controls needed to drive work efficiently to achieve the major change in performance that Cabinet expects.
- 29 In parallel with the programme establishment, a number of actions across the three priority areas agreed by Cabinet have been initiated and are on track to deliver important practical improvements by the end of 2022. These are noted below.
- 30 In the context of the scale of change required, work to date has placed the programme in a strong position to deliver ambitious results over the medium-long term. Current actions are on track to deliver early and important 'wins' and constitute a good start on the actions required to deliver substantive system changes.

Looking ahead: Milestones to the end of 2022 and beyond

- 31 By the end of 2022, the programme is on track to deliver:
- 31.1 A widely-accessible early dashboard on spend analysis, sector performance and procurement capabilities based on the integration of existing data;
 - 31.2 Completion of the first phase of the procurement of a digital procurement platform which will, over time, enable agencies and suppliers to shift their procurement activities to a digital environment;
 - 31.3 An agreed sector leadership model and commencement of a sector leadership pilot;
 - 31.4 Arrangements to establish a professional community of practice to support professional development and performance, including governance and programme.
- 32 Beyond 2022, a high-level roadmap has been developed to indicate key delivery milestones and pathways towards the overall programme goals by 2030. This initial roadmap is included in the strategy attached in [Annex A](#), and will be refined with more detail as the required sequencing and linkages between related actions and the programme matures.

Implementing Broader Outcomes

- 33 In October 2019, the 4th edition of the Government Procurement Rules came into force and gave effect to Cabinet's direction that government procurement should achieve greater public value for New Zealand by requiring mandated government agencies to achieve social, economic, environmental and cultural benefits through their procurement activities.

- 34 Since then, Government has introduced a range of specific procurement initiatives aimed at delivering Broader Outcomes, and more are under consideration or development. This report updates Cabinet on these initiatives and the activities underway to support agencies in implementing them.
- 35 Reporting on Broader Outcomes is included in the system-wide programme of work, and will be addressed as part of reviewing performance metrics, establishing standards, and automating data collection and reporting. Progress will be reported in future updates on the programme.

Broader Outcomes initiatives

- 36 Key recent procurement initiatives designed and implemented to contribute to achieving social, economic and environmental outcomes are:
- 36.1 *Living Wage*: From December 2021, all public service departments (including departmental agencies) that negotiate a new contract or renew an existing contract for cleaning, catering and security guard services must require that workers undertaking those services are paid at least the New Zealand Living Wage (currently \$22.75 per hour), with annual increases. NZGP has worked with agencies to implement the policy, and – noting that its implementation is progressive – is not aware of any case of breaches to date.
- 36.2 *Quality employment opportunities*: In September 2020, Cabinet agreed a new Rule requiring mandated agencies to seek to create quality employment opportunities (Rule 18A), particularly for groups with traditionally high rates of unemployment or low labour force participation. Guidance has been released to agencies about ways of giving effect to this Rule, and NZGP has actively responded to agencies' queries.
- 36.3 *Progressive procurement*: In December 2020, Cabinet agreed to adopt a progressive procurement policy, with an initial focus on Māori businesses [CBC-20-MIN-0072 refers]. The overall aim of the policy is to increase the diversity of government suppliers that can and want to engage with government procurement and to break down barriers for Māori businesses to engage in government procurement processes. One of the key features of the policy is an initial target of 5% of mandated agencies procurement contracts being awarded to Māori businesses. Initial data indicates that around 2.4% of mandated agencies' contracts were awarded to Māori businesses in the July 2021-September 2021 period with an approximate value of \$303 million. The results that are currently being analysed from the quarterly reporting period for October – December 2021 will establish a 6-month baseline.
- 36.4 *Electric vehicles*: Mandated agencies are required to optimise their fleet size and transition to electric vehicles to the extent possible, under the Carbon Neutral Government Programme (CNGP). NZGP and EECA are supporting agencies to do this, including by expanding the all-of-government vehicles contract catalogue to provide choice and access to a wider range of electric vehicles as they become available. To date, approximately 5% of the government fleet has transitioned to electric vehicles, with an overall total of

25% low-emission vehicles. The Government Fleet Dashboard showing progress made is publicly available and regularly updated.

- 36.5 *Low-carbon construction:* In planning and constructing new buildings, as part of the CNGP government agencies must choose design and material options that result in the lowest possible carbon emissions. In addition, mandated agencies are required to use an approved rating system for the planning and construction of new government-owned non-residential buildings over \$25 million – next year this will be extended to relevant buildings over \$9 million. NZGP has engaged extensively with key agencies to give effect to these policies – particularly in relation to building projects that were already underway when the policy was announced. Feedback indicates that agencies are actively engaged in adjusting their building plans to conform to the policy.

36.6 Confidential advice to Government

36.7

- 36.8 *Construction Sector Accord guidance:* In November 2021, the Construction Sector Accord in MBIE published step-by-step guidance to help government buyers and industry suppliers apply broader outcomes in construction procurement. The guidance promotes a focus on broader outcomes in the early stages of a project's lifecycle – not leaving it to the contracting stage, which limits their application.

- 36.9 *Addressing workplace health and safety:* In October 2019, the Government Procurement Rules introduced a general requirement for mandated agencies to ensure that their suppliers comply with relevant employment, health and safety obligations. In order to tackle long standing health and safety issues in the construction sector, NZGP issued guidance on health and safety in construction as part of a suite of Construction Procurement Guidelines. NZGP is working with WorkSafe and the Construction Sector Accord on further opportunities to enhance health and safety outcomes.

- 36.10 *Modern slavery:* New legislation to address modern slavery and worker exploitation in supply chains is under consideration. It is expected to introduce responsibilities for entities across supply chains, including in government procurement. MBIE is reviewing guidance and toolkit resources for suppliers,

as well as considering whether additional requirements of suppliers for all-of-government contracts may be needed once the legislation is in force.

Financial Implications

- 37 There will be no additional administrative or financial costs from this report back. Agencies' individual appropriations are used to meet any additional resources required to fulfil the government's broader outcome priorities.

Legislative Implications

- 38 No legislative implications have been identified in this paper.

Regulatory Impact Analysis

- 39 A regulatory impact analysis is not required.

Climate Implications of Policy Assessment (CIPA)

- 40 A CIPA is not required.

Population Implications

- 41 The Broader Outcomes Framework is an ongoing long-term programme of work that affects a wide range of individuals and population groupings. While that is the case, this specific report back does not have any significant impacts on any population grouping.

Population group	Implications
Māori	Broader Outcomes affect many different groups of the population. As identified above, this specific report back does not explicitly contain any population implications although the wider programme has impacts on Māori, women and disabled people [CAB-18-MIN-0516.01 refers].
Women	
Disabled people	
Youth	

Human Rights

- 42 No human right implications have been identified in this paper.

Consultation

- 43 The following departments were consulted on this paper: Department of Corrections; Department of Internal Affairs; Department of Prime Minister and Cabinet; Ministry of Business, Innovation and Employment; Ministry of Education; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry of Social Development; Te Kawa Mataaho Public Service Commission; Te Puni Kōkiri; and The Treasury.

Communications and publication

- 44 It is anticipated that no publicity will arise out of this progress report.

Proactive Release

45 In accordance with Cabinet Office Circular CO (18) 4, this paper will be proactively released subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Economic and Regional Development recommends that Cabinet:

- 1 **Note** that in November 2021, Cabinet agreed to:
 - 1.1 reset the government's procurement system with a view to achieving significantly more public value for New Zealand from \$51.5 billion that government agencies spend annually on purchasing goods and services;
 - 1.2 a programme of work to improve the procurement system over the medium-long term through implementing strategic priorities around data and transparency; accountability and leadership across the system; and the practices and behaviours that underpin day-to-day activity [DEV-21-MIN-0224 refers];
- 2 **Note** that since November 2021:
 - 2.1 formal programme management covering all aspects of the system change expected has been established, including prioritising and sequencing of actions, and the establishment of programme controls to drive and monitor progress;
 - 2.2 significant initiatives across the programme have been delivered or are on-track for delivery this year, including:
 - 2.2.1 a draft strategy 'Procurement For The Future' that gives effect to Cabinet's direction (attached as Annex A);
 - 2.2.2 a digital Document Builder platform that automates and simplifies an extensive range of procurement documents for agencies and suppliers;
 - 2.2.3 the first phase of procurement of a system-wide digital e-procurement platform;
 - 2.2.4 an interim dashboard providing an early view of procurement spend that will be widely accessible;
 - 2.2.5 development of options to establish procurement leadership at sector level;
 - 2.2.6 arrangements for a procurement professional community of practice to leverage and support procurement skills across government and encourage a culture of collaboration.

- 3 **Invite** the Minister for Economic and Regional Development to report to Cabinet with a further progress update in March 2023.
- 4 **Note** that since the introduction of the revised Government Procurement Rules in October 2019, government agencies have been required to include Broader Outcome priorities in their procurement activities to achieve greater public value;
- 5 **Note** that since 2019, Government has introduced additional procurement initiatives aimed at achieving Broader Outcomes, including:
 - 5.1 *Living Wage*: Workers on government cleaning, catering and security contracts must be paid at least the Living Wage;
 - 5.2 *Quality employment opportunities*: Agencies must seek to create employment opportunities for groups typically at-risk of poor labour-market outcomes;
 - 5.3 *Progressive procurement*: Enabling and supporting more Māori businesses to engage in government procurement;
 - 5.4 *Electric vehicles*: Optimising agencies' fleet sizes and transitioning them to electric vehicles;
 - 5.5 *Low-carbon construction*: Agencies must choose the lowest-carbon option when planning and constructing new buildings.
 - 5.6 Confidential advice to Government
 - 5.7
 - 5.8 *Guidance to the construction sector on Broader Outcomes*: Practical step-by-step guidance for implementing Broader Outcomes in construction projects;
 - 5.9 *Health and safety in construction*: NZGP is working with WorkSafe and the Construction Sector Accord on opportunities to improve health and safety outcomes;
 - 5.10 *Modern slavery*: Changes to procurement practices anticipated to give effect to new legislation.
- 6 **Note** that further reporting on Broader Outcomes will be included in progress reports on the procurement programme.

Authorised for lodgement

Hon Stuart Nash
Minister for Economic and Regional Development

Annex A: Strategy 'Procurement for the Future'



Te Kāwanatanga o Aotearoa
New Zealand Government

Procurement for the Future

New Zealand Government Procurement Strategy

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Time for change

Procurement matters

Each year, the New Zealand Government spends \$51.5 billion on goods and services that are essential for the delivery of public services and infrastructure, economic growth, and the wellbeing of New Zealanders. The Government and the New Zealand public expect this spend to deliver value.

Economic and environmental pressures, and the impact of COVID-19, have highlighted the importance of a procurement system that is responsive and resilient, that can withstand the potential disruptions of tomorrow. The system must be fair, transparent, inclusive, and efficient.

Now is the time to re-imagine government procurement in New Zealand and position it for the future.

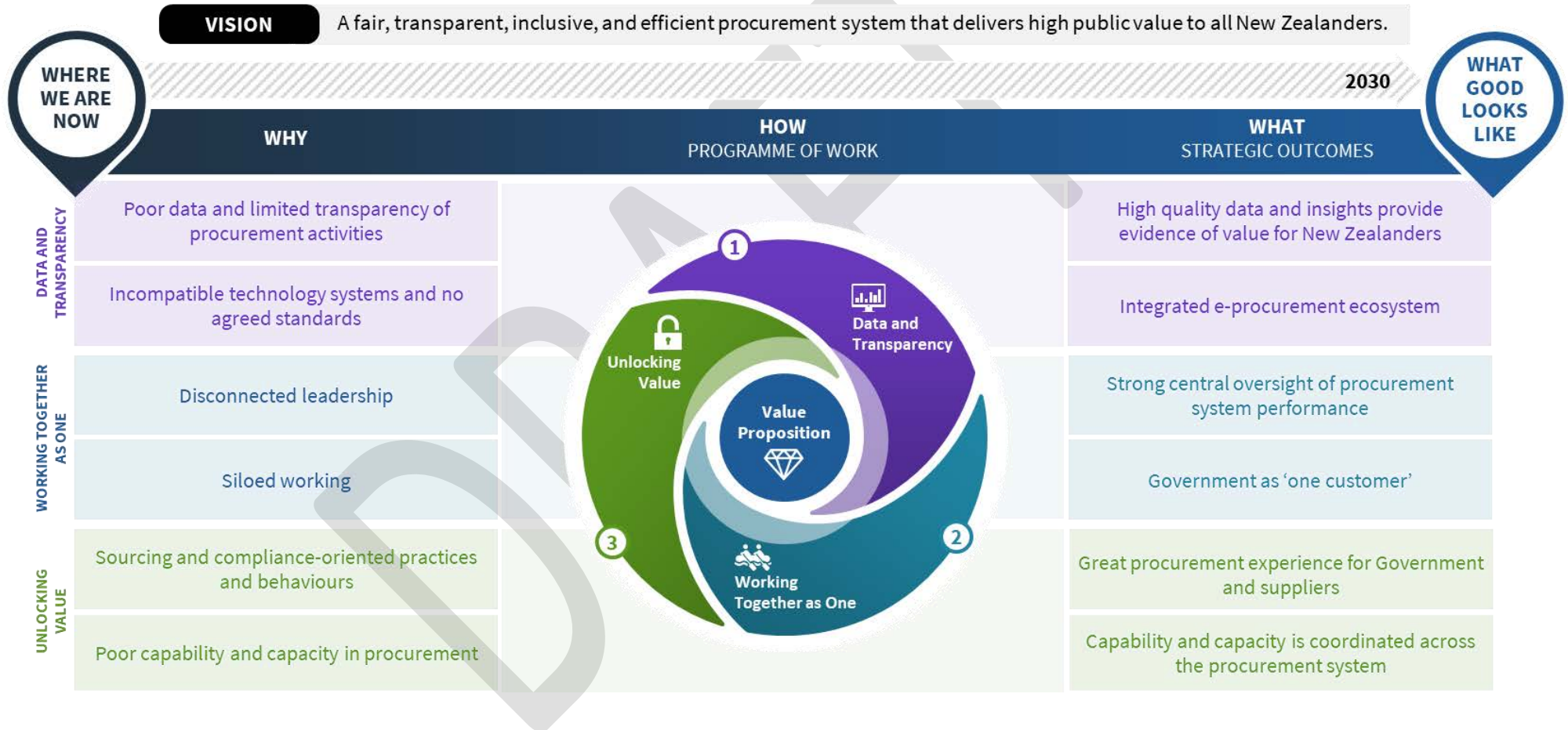
The strategic direction and actions set out here will fundamentally change the way government procurement operates. This strategy lays the foundations for a procurement system that is user-centric, that harnesses the power of data and technology to provide insights and efficiencies, and transforms the way government works together and with the suppliers of essential goods and services.

Progress will be incremental, and success will be built on everyone in the procurement community embracing change and new ways of working.



Strategy at a glance

This strategy represents the biggest step-change in government procurement in over a decade. Reaching our goals for 2030 will mean focused work in three strategic areas. Together they contribute to the value that procurement can deliver to agencies, the government and the public.



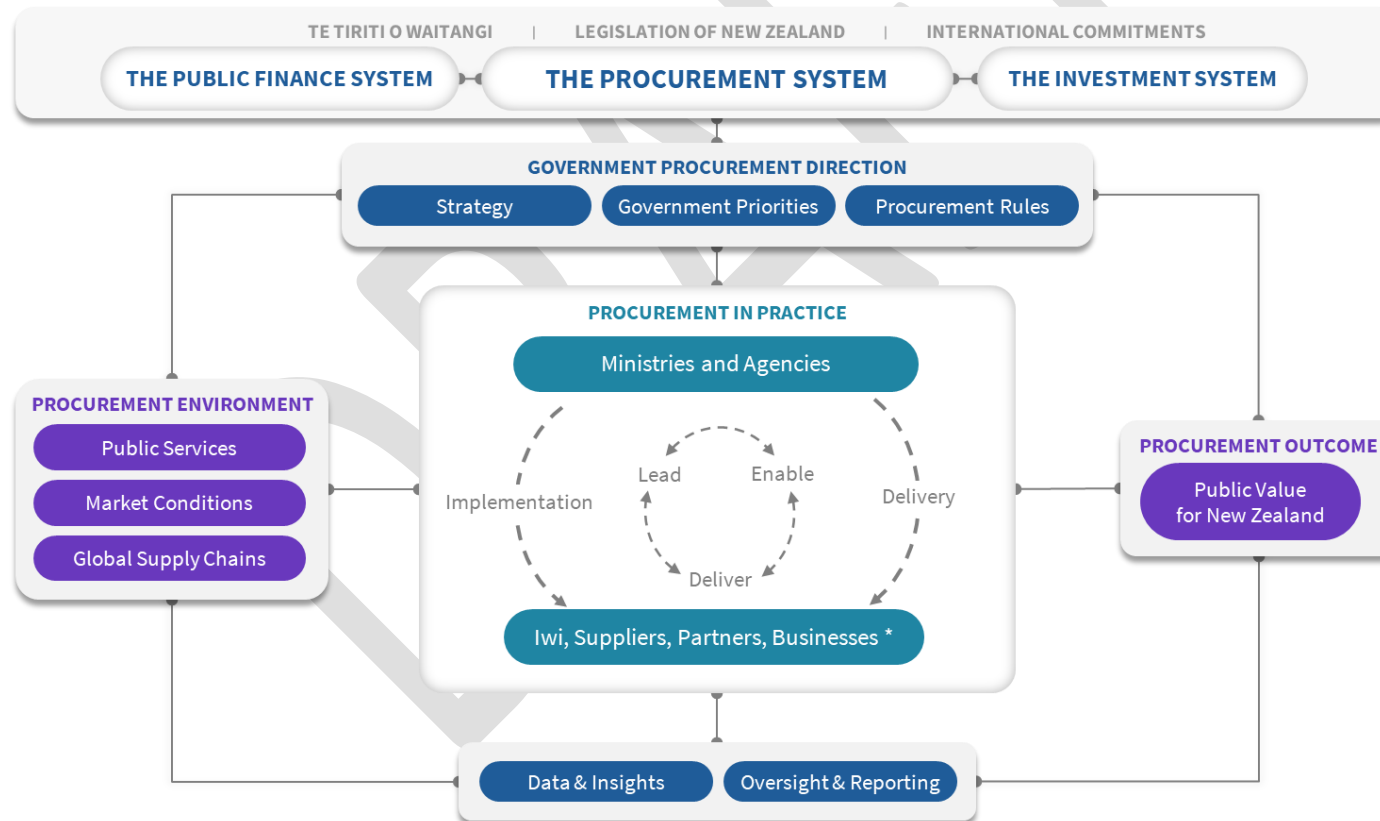
Where we are now

The procurement system

The New Zealand government procurement system is more than just agencies and how they interact with suppliers – it is the combination of ‘moving parts’ working together to deliver public value for New Zealand. These parts include:

- The overall direction for procurement set by Government, along with the related government systems that affect procurement
- The evolving environment that procurement operates in, including constantly changing market conditions
- The day-to-day and strategic practices of agencies and suppliers
- The data, insights and accountabilities that all parties need to inform their decisions

All these parts need to work well for the government procurement system to work well.

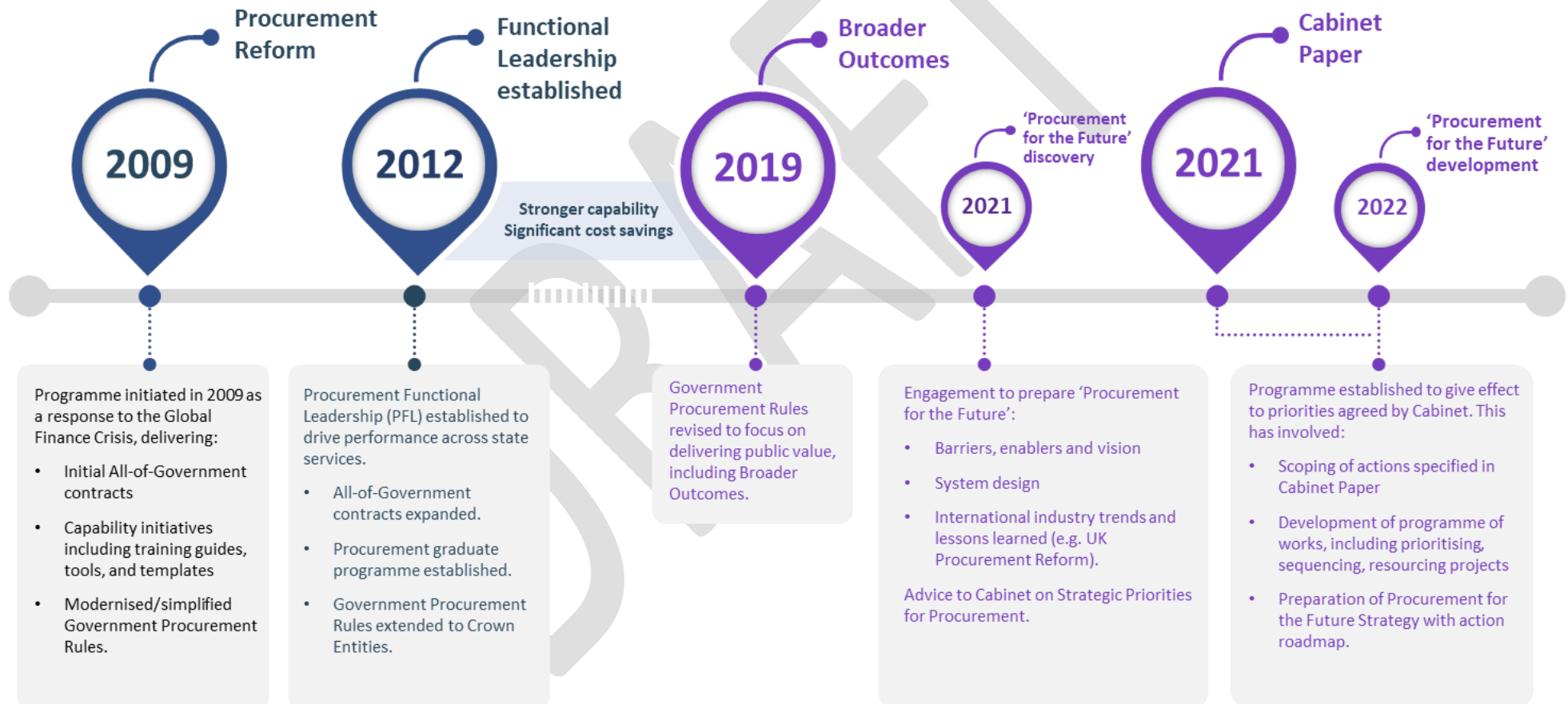


*Note – includes NGOs, SMEs, Māori businesses, social enterprises

Our journey to date

New Zealand’s government procurement system has been constantly evolving. We now have the opportunity to take significant steps to achieve a fair, transparent, inclusive, and efficient procurement system that delivers public value to all New Zealanders.

‘Public value’ means a great procurement solution that also delivers economic, social, environmental and cultural benefits for New Zealand, at a good price.






What is working well


Some great achievements


Since the establishment of Procurement Functional Leadership in 2012, there have been some significant achievements across the New Zealand government procurement system.

Significant cost savings


 \$1.2bn savings from All-of-Government contracts to 2020.

Continuous growth in procurement capability across government


 966 skills and development courses completed by government procurement specialists in 2020.

 1100+ Hīkina users across 135 agencies.

Recognition of value beyond least cost

 Estimated 8% reduction in average government vehicle fleet carbon emissions since December 2019.


Increased flexibility for agencies

 Chief executives able to make informed decisions within centrally-set parameters.


In progress

Several positive initiatives are underway, driven by fundamental shifts in thinking across the government procurement system in recent years:


Using procurement to improve cultural, economic, environmental, and social outcomes

 e.g. Living Wage for cleaning, security and catering staff.


Increasing the diversity of suppliers actively engaging in government procurement

 e.g. Enabling more Māori businesses to engage.

Strengthening sector-led approaches to specialist procurement

 e.g. Social Sector Commissioning driven by the Ministry of Social Development and Oranga Tamariki.

Working more effectively with suppliers


 e.g. the Construction Sector Accord.

What needs to improve


Cabinet has identified three key areas of improvement which will re-position our procurement system. Addressing these interrelated areas of improvement is essential to achieving our ambitious vision.

Procurement system improvement areas


Data and transparency

- 
- Complete, high-quality data to enable insights that inform decisions.
 - Common data standards enable accurate aggregation and system-wide reporting.
 - Linked procurement and financial data that reduces duplication of effort.
 - Ready access to current data that provides knowledge of performance and risks.

Accountability and leadership

- 
- Stronger oversight of system-wide activities that improves market engagement.
 - Stronger system leadership that connects government priorities to day-to-day practices.
 - Metrics that track system performance to better manage risk and priorities.

Performance and delivery

- 
- Outcome-focussed planning and governance that drives innovative solutions.
 - Better management of contracts and suppliers that unlocks full benefits.
 - Flexible and automated processes and procedures reduce wasted effort.
 - Capability utilised across the system to provide support where required.

Realising the potential of procurement

Successfully addressing these improvement areas will fundamentally shift procurement from a process-driven compliance task to an outcomes-driven strategic activity. It will mean a much greater range of suppliers engaging in procurement, with more innovative solutions to agencies' needs. This in turn will deliver greater benefits to whanau, communities and New Zealand.

Giving greater effect to the outcomes of our procurement system means changing the way we work and the mindsets we bring to the work we do.

Ensuring all stakeholders have a voice

The system relies on all stakeholders having a voice. This means doing more to embrace diversity and inclusiveness, including strengthening partnerships with Māori and Pasifika, social enterprises and small/medium NZ businesses. Investing time developing relationships and building trust will help us agree, and work towards, shared goals and responsibilities.

Te Tiriti o Waitangi

Te Tiriti o Waitangi is fundamental to all government activity, including procurement. For the procurement system, upholding Te Tiriti o Waitangi means integrating values that are important to iwi, hapū, whānau and communities into our core understanding of 'public value'.

This is mainly about the practices we bring to each individual procurement opportunity – engaging with interested Treaty partners where relevant to understand and take on board their 'value'. This may mean taking a partnership approach when designing procurements that iwi, hapū and whanau have a strong interest in, or co-designing services that directly affect them. This will differ from opportunity to opportunity – so Te Tiriti needs to become part of our day-to-day operating DNA.

Over recent years, many agencies have focused on giving real effect to their Treaty commitments. Actions under this strategy will include active sharing of best practices and the benefits of bringing Te Tiriti to procurement. In doing so, we will build true and practical partnerships with Māori which benefit all New Zealanders.



Where we are heading

Procurement is playing a bigger role than ever before

The world is evolving, and procurement needs to evolve too. We cannot always predict what the future will hold, as we've seen over the last two years with the widespread disruption caused by a health event.

Procurement is playing a bigger role in economies and societies than ever before. Our procurement system needs to support Government and agencies through future crises and impacts. We need to ensure New Zealand's government procurement system withstands future disruptions and stays agile, enabling, driven by data and technology.

Global trends

Government procurement is responding to new demands and expectations. Key drivers for change include:

- ▶ **Digital and automation** – A shift away from traditional data collection in spreadsheets towards real-time data with automated processes, data capture and spend analysis.
- ▶ **Capability** – Agencies are building the capabilities needed to derive insights from high-quality data, making effective use of specialist expertise, and adopting common digital platforms.
- ▶ **Resilient supply chains** – Agencies, businesses and the public are demanding increasingly transparent and resilient supply chains to mitigate the impact of global supply disruptions.
- ▶ **Increasing expectations of value** – Internationally, government procurement is recognised as important in delivering much more 'public value' to citizens, not simply lowest cost.



Our strategic priorities

Our strategic priorities have been grouped into three focus areas which together will deliver value for New Zealand.



VALUE PROPOSITION

A procurement system that is recognised as delivering value for New Zealand, and supports people, communities and businesses to thrive.



DATA AND TRANSPARENCY

Improve visibility of procurement activities across the system by driving capability and consistency in our collection, management and analysis of data.



WORKING TOGETHER AS ONE

Improve accountability, collaboration, and delivery incentivising agencies to work together as one unified government procurement system.



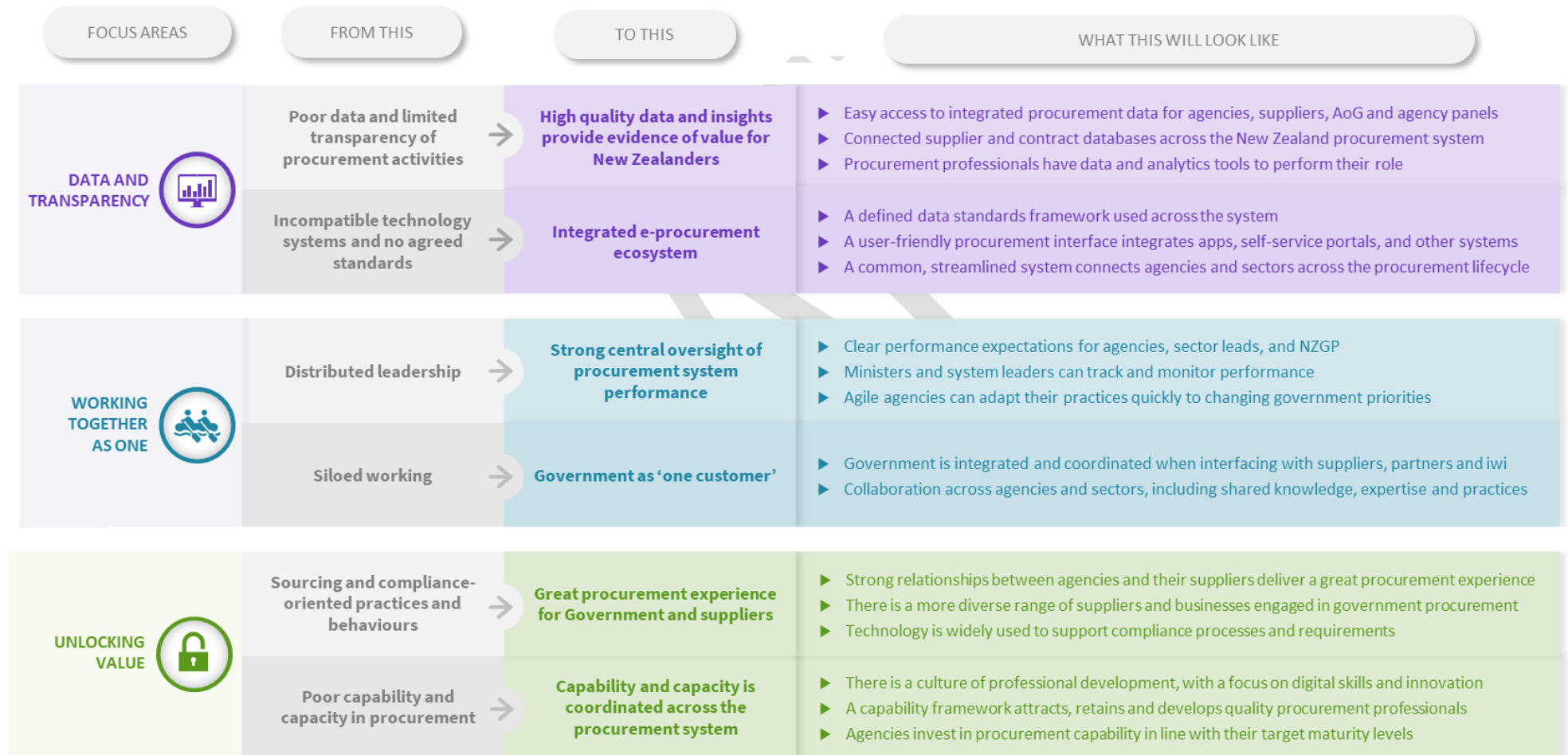
UNLOCKING VALUE

Attract, develop and maintain the capability of our people, while developing closer relationships with our suppliers.



Our strategy

Our vision is for New Zealand’s government procurement to be fair, transparent, inclusive, and efficient, so that it delivers more value to New Zealanders and responds to changing government priorities. To achieve these, we have set out six strategic outcomes that enable us to be more responsive to market dynamics, increase collaboration across our networks, and grow our capability to generate more value for New Zealand.





Our action roadmap

This indicative roadmap sets out key milestones in the journey to improve the procurement system. Each focus area has short term priorities which will be our focus over the next six and 24 months. These priorities are setting up for longer-term ambitions to 2030.

	Mid 2022	End 2022	Mid 2023	End 2023	LONG TERM AMBITION
DATA & TRANSPARENCY	Data standards & reporting requirements	New supplier and contract databases	Joined-up GETS, AoG and agency panel data	Integrated procurement data management system under system-wide data governance	
	Spend analysis from existing data	Interim dashboards with spend data	Suite of dashboards with complete data accessible by agencies, suppliers and the public	Up-to-date data and insights are widely used to inform procurement decisions and priorities	
	Digital tools procurement in progress	New web front-end and self-service portal	Data integrated into self-service portal	Automated e-Procurement system accessed through a single front-end interface	
WORKING TOGETHER AS ONE	Sector leadership model(s) being designed	Sector leadership pilot(s) in place	Sector leadership implementation	Sector-led procurement and accountability	
	System leader roles/mandates clarified	Functional leader transitioned to system leader	System and sector leaders joined up	Government as 'one customer' where relevant	
	'Stronger central oversight' unpacked	Stronger central oversight function in place	Oversight and practice strongly connected	An agile procurement system where day-to-day practices respond quickly to new priorities	
UNLOCKING VALUE	The 'procurement experience' for Agency and supplier stakeholders is baselined	Priority initiatives to measure and improve the Agency experience are in place	Priority initiatives to measure and improve procurement experience for suppliers in place	Procurement is a key enabler of public value to the NZ government	
	Community of practice established to support professional development and performance	Baseline of procurement capability and capacity across the system established	Supplier capability-building and pro-active engagement programme in place	People have the capabilities needed to create great experiences, and expertise is widely shared	

Implementing the strategy

Delivering procurement for the future

A programme of work will deliver the shorter-term priorities and continuous improvement capabilities needed for the government procurement system to deliver longer-term ambitions.

The benefits

The future procurement system will allow government investment to play a more proactive role in the delivery of public value. This value is widespread:

- Achieving better outcomes for New Zealanders
- Delivering the best possible supplier solutions
- Making Government procurement more efficient
- Gaining insights and intelligence about what works

Making sure we are on track

This strategy envisages stronger leadership arrangements designed to ensure that the benefits are realised in practice and all system leaders are well informed about the performance and impacts.

Key new leadership arrangements are:

- The appointment of a System Leader for Procurement under the Public Service Act 2020, replacing the Procurement Functional Leader. The Procurement System Leader will work collaboratively with other System Leaders (for Data, Digital, Property and Information Security) to connect procurement across government.
- The establishment of highly-skilled sector leaders to support cross-agency procurement activities where there are collaboration benefits to unlock (e.g. through co-ordinated and bulk purchasing), and to support Ministers and other system leaders in gaining insights into the system's overall performance.

Both these new leadership roles will form part of high-level oversight arrangements designed to ensure that the system remains on track over time and that its performance progressively improves.

In addition, a formal change programme to deliver the strategy has been established under the direction of a dedicated programme management team. The programme will be overseen by Ministers and the System Leader for Procurement, with formal input from advisory groups comprising procurement specialists from both the public and private sectors.

While details of these new arrangements are still being worked through, they will ensure that stakeholders' voices play a strong role in guiding the system towards its goals.

We are all in this together

This strategy involves everyone in the New Zealand government procurement system – every procurement professional, supplier, agency executive, iwi, and community.

By changing our behaviour, and by challenging ourselves, we can get more value from procurement, and create a continuously improving system that is more responsive to New Zealanders' needs, now and into the future.