



NEW ZEALAND
GOVERNMENT PROCUREMENT



Procurement for the Future

New Zealand Government Procurement Strategy // July 2022



Te Kāwanatanga o Aotearoa
New Zealand Government

More information

Information, examples and answers to your questions about the topics covered here can be found on our website: www.procurement.govt.nz or by calling us free on: 0800 20 90 20.

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Time for change

Ministerial foreword

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 will achieve good outcomes for New Zealand. We need a system that harnesses the power of data and technology to provide insights and efficiencies, and a system that transforms the way government works; as a purchaser, 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.

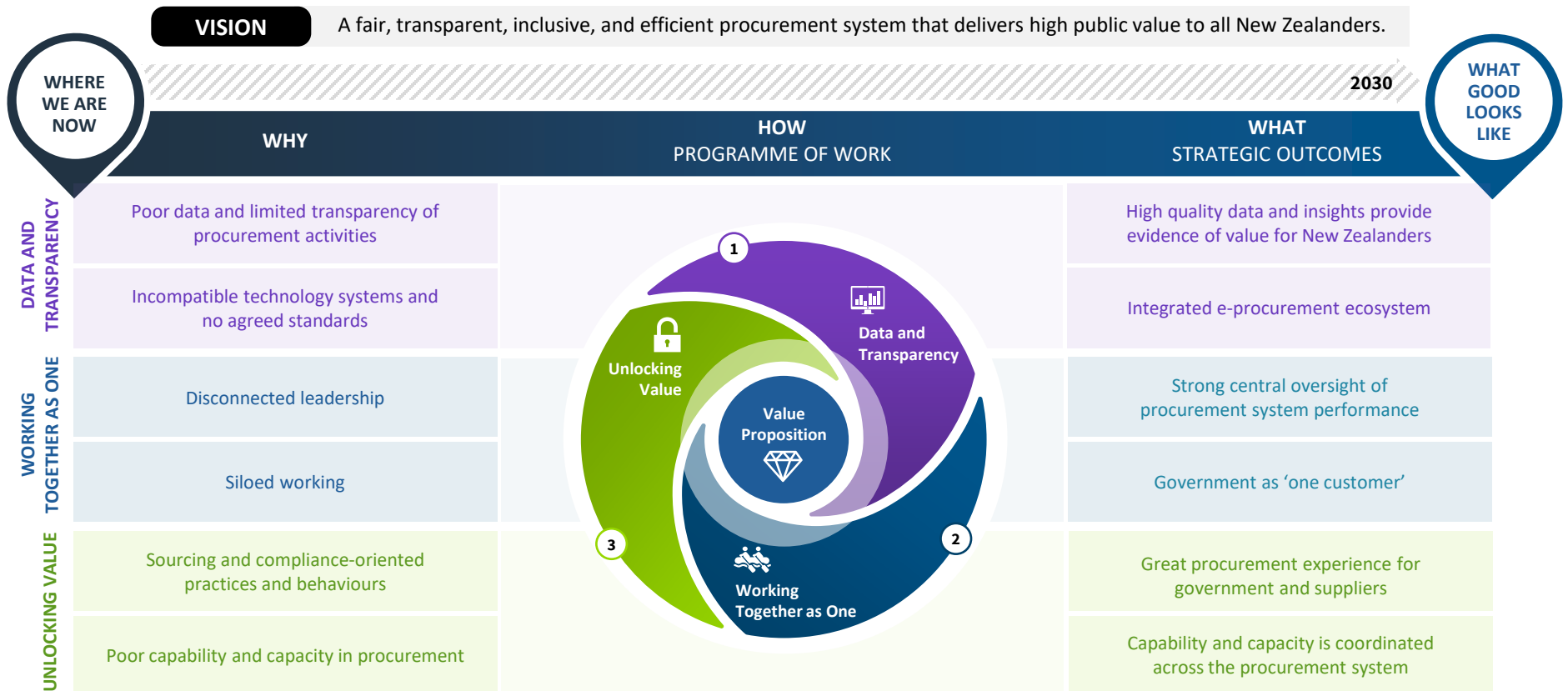


Hon Stuart Nash

Minister for Economic and Regional Development

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.



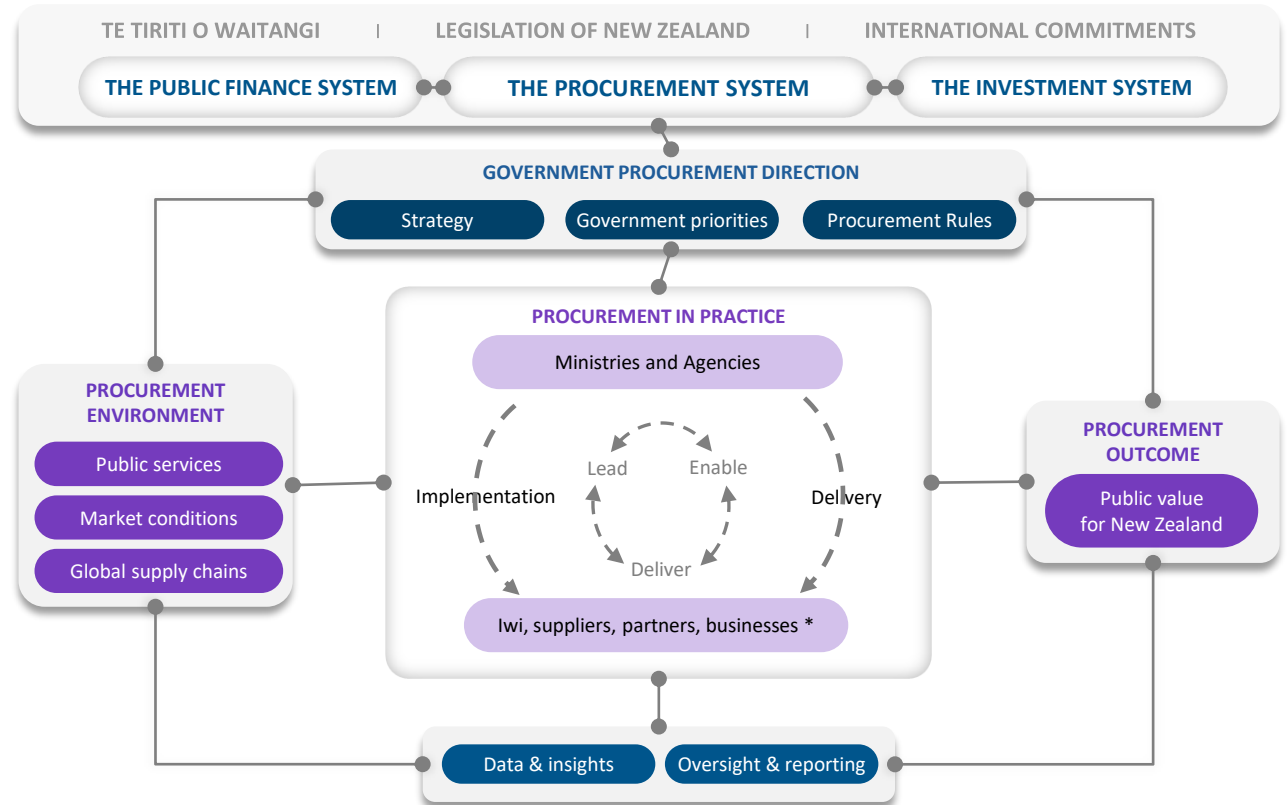
Where we are now

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.

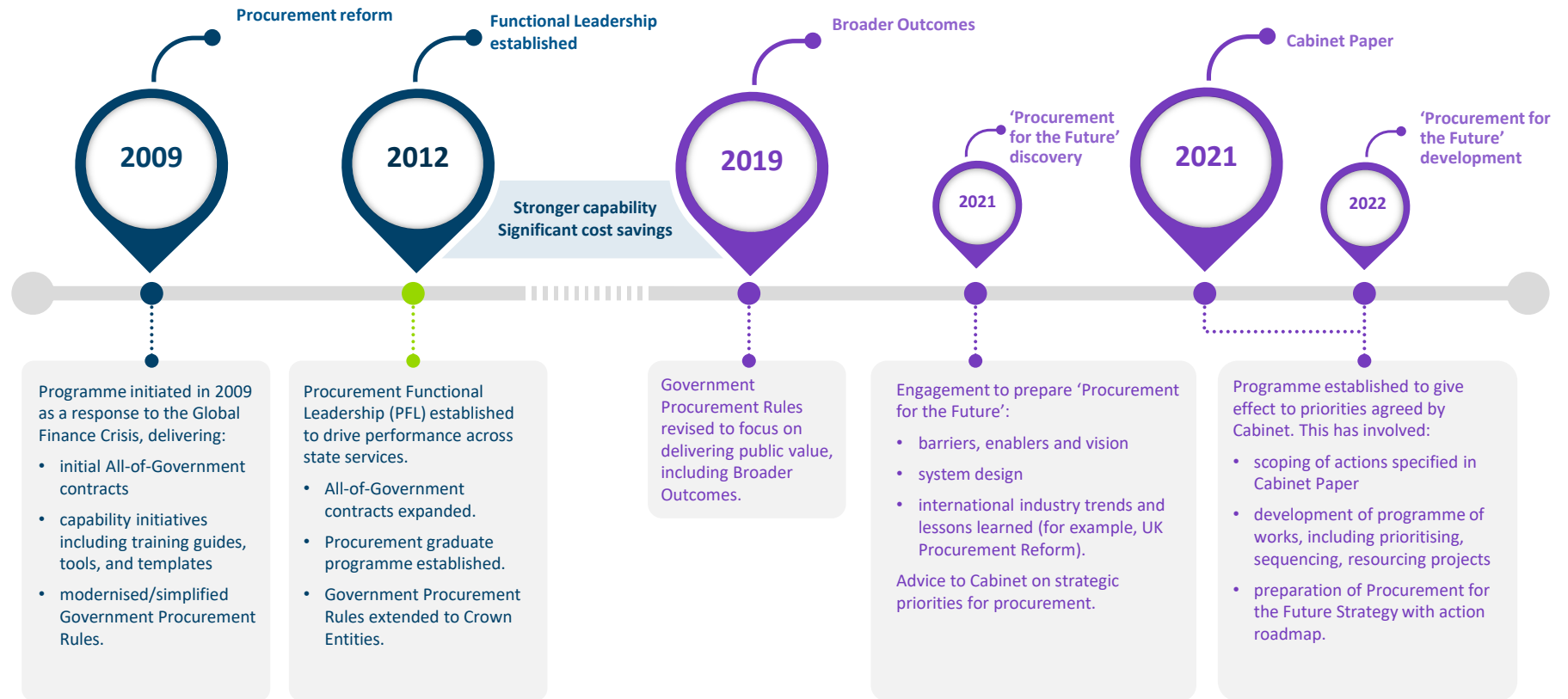
All these parts need to work well for the government procurement system to work well.



*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

\$1.04bn savings from All-of-Government contracts between 2015/16 and 2021/22.



Continuous growth in procurement capability across government

638 courses completed in Hīkina by government procurement specialists in 2021.



2000+ Hīkina users across 135+ agencies.



Recognition of value beyond least cost

Estimated 13% reduction in average government light 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

Living Wage for cleaning, security and catering staff.



Increasing the diversity of suppliers actively engaging in government procurement

Enabling more Māori businesses to engage.



Strengthening sector-led approaches to specialist procurement

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



Working more effectively with suppliers

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 whānau, 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.



What needs to improve (continued)

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 whānau 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 recent 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.



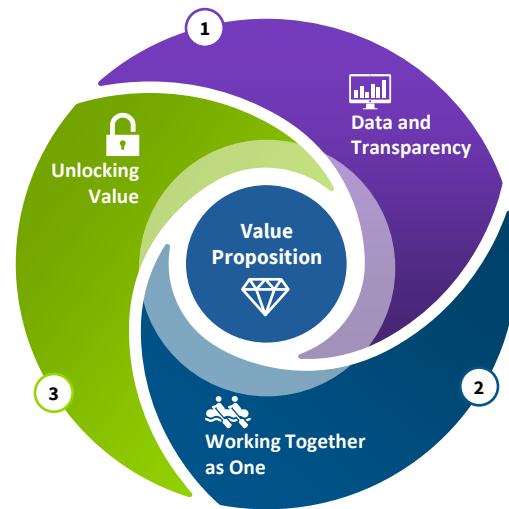
VALUE PROPOSITION

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.

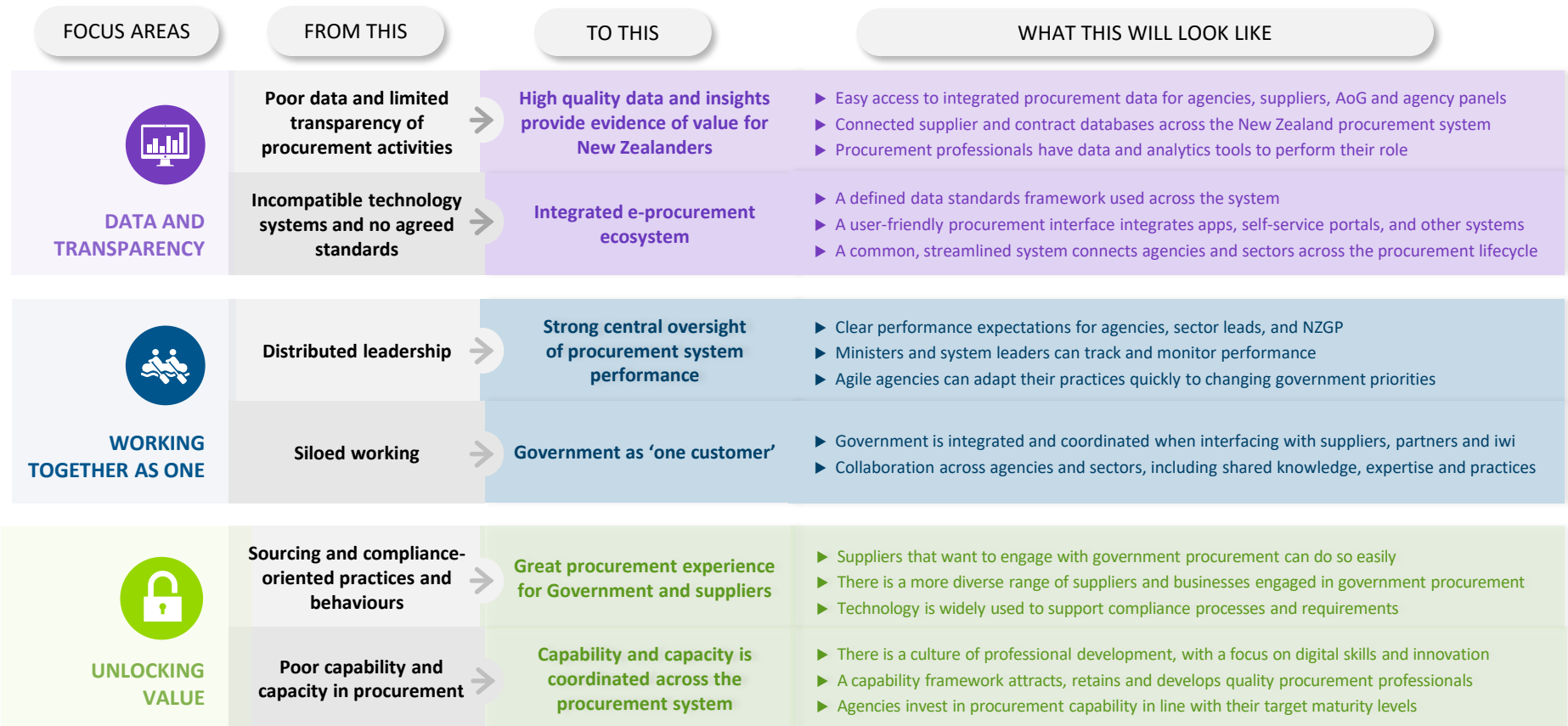


UNLOCKING VALUE

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

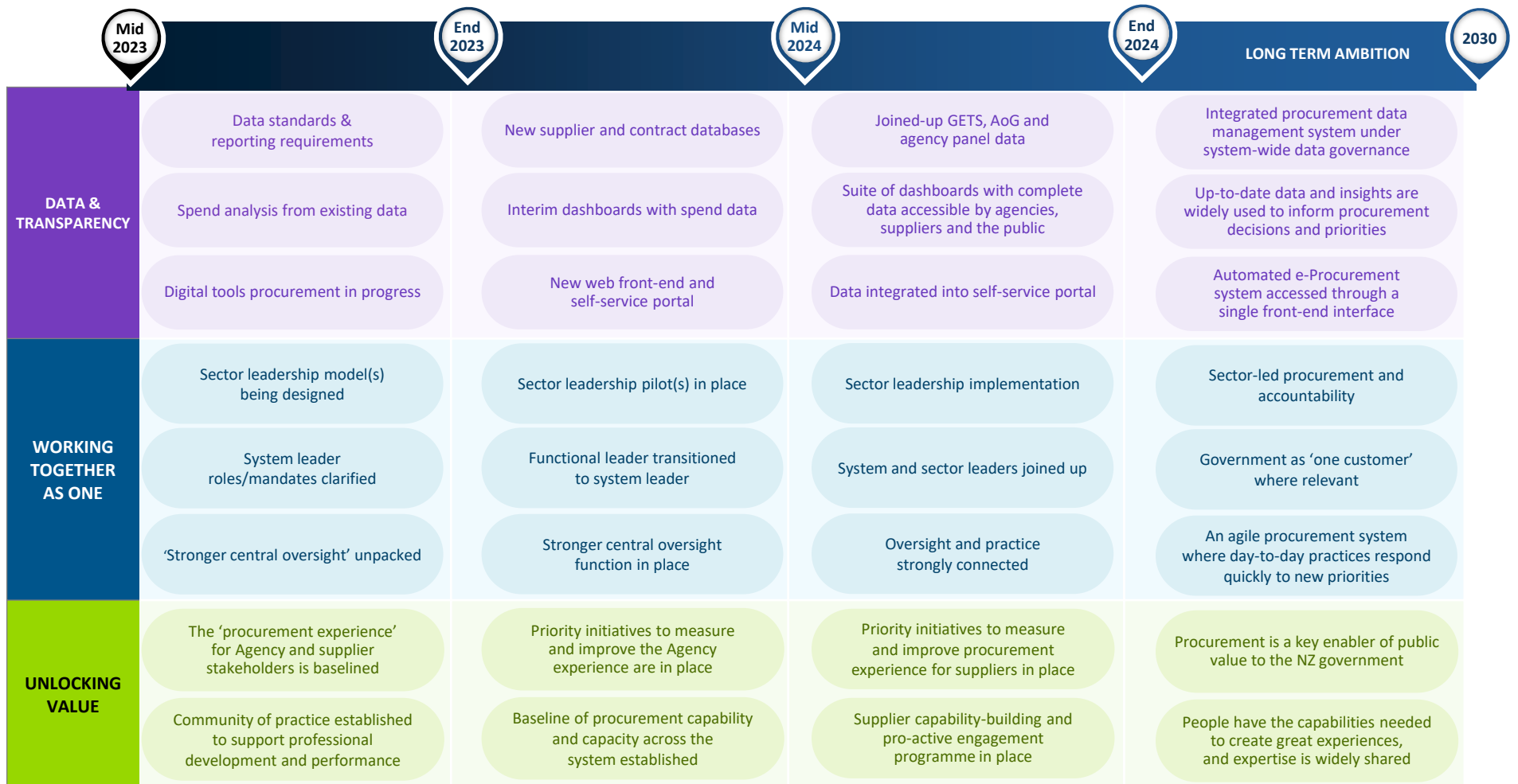
Our strategy

Our vision is for a fair, transparent, inclusive, and efficient procurement system that delivers high public value to all New Zealanders. To achieve this vision, we have identified six strategic outcomes that will drive us to being more responsive to market dynamics, more collaborative across our networks, and more able to generate 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.



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 procurement 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 (for example, through coordinated 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.