



# Procurement Capability index 2024 report

OVERALL RESULTS

# Ministry of Business, Innovation and Employment (MBIE)

## Hīkina Whakatutuki – Lifting to make successful

MBIE develops and delivers policy, services, advice, and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

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Print: ISSN N/A      Online: ISSN 978-1-991316-97-4

May 2025

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# Introduction

The Procurement Capability Index (PCI) is a self-assessment tool that enables agencies to measure their procurement capability. All mandated agencies covered by the Government Procurement Rules are required to complete the PCI annually. Agencies provide data and rate their capability in a range of areas including governance, strategy, planning, sourcing, and management.

This report has been created using agency's self-reported responses for the 2023/24 financial year. Agencies were asked to declare that their information was correct, complete, and approved internally before submitting their response.

The PCI results provide agencies, NZGP and the wider procurement system with meaningful insights.

It helps agencies to evaluate and build the procurement capability within their agency. They can see how they compare to others and identify where additional focus may be required. This will ensure agencies are in the best position to achieve their procurement goals, implement Government targets, and maintain a talented and productive workforce.

The PCI also helps NZGP to monitor procurement maturity and capability of the public sector over time enhancing procurement effectiveness and efficiency.

This report is based on survey responses from 97 participating agencies. Due to skip logic in the survey design, not all agencies answered every question. The percentage totals reported only include those agencies that responded to that question. Where we report that a certain percentage of agencies engage in a particular practice, this refers to those who responded to that question and selected a positive response - 'somewhat,' 'to a great extent,' or 'always'—unless otherwise stated. Further details on the methodology and respondent profile are provided in [Annex 1](#).

# Strategy and planning

## Procurement policies



- 95% of agencies have a procurement policy.
- 99% of agencies can easily access their procurement policies.
- 96% of agencies review their procurement policies on a regular basis (every 1-5 years).
- 73% of agencies reported that their procurement policies are always (9%) or to a great extent (64%) understood and implemented.

## Procurement policy reviews



- 78% of agencies review their procurement policies at least every two years.
- 40% of agencies have their procurement policies reviewed by an external party.

## Strategic planning



- 26% of agencies have a strategic plan that identifies what they wish to achieve from their procurement activity. The majority of these are extra-large agencies who are public service or state service crown agents.



- Of the agencies that do have strategic plans for their procurement activity, most include the elements listed below to some extent.

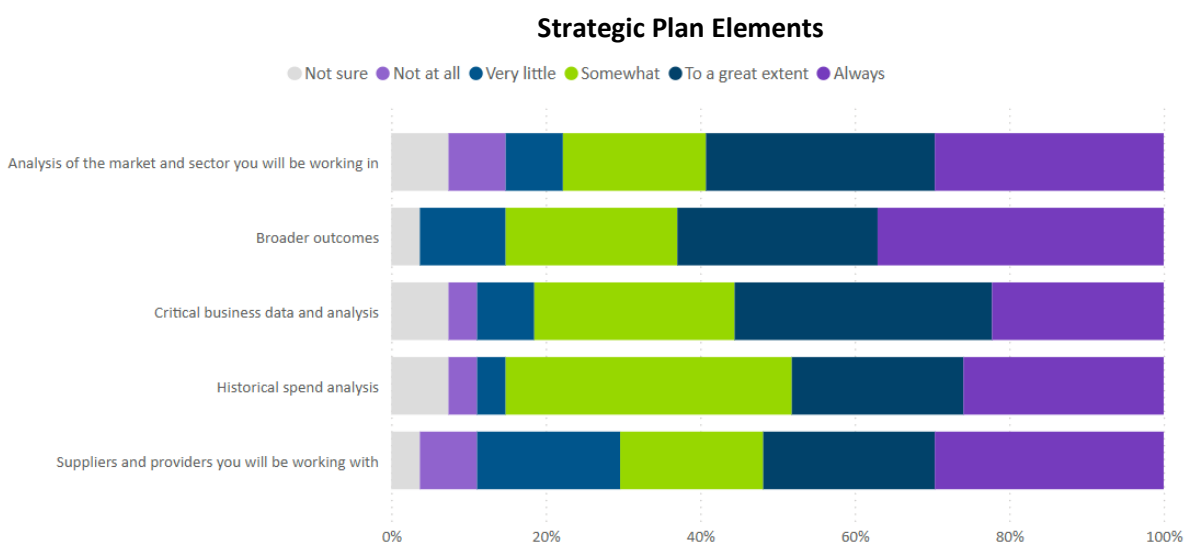


Figure 1 Strategic Plan Elements

# Procurement planning

The following pie graphs indicate the extent to which an agency:

## Uses data and insights to inform planning and decisions

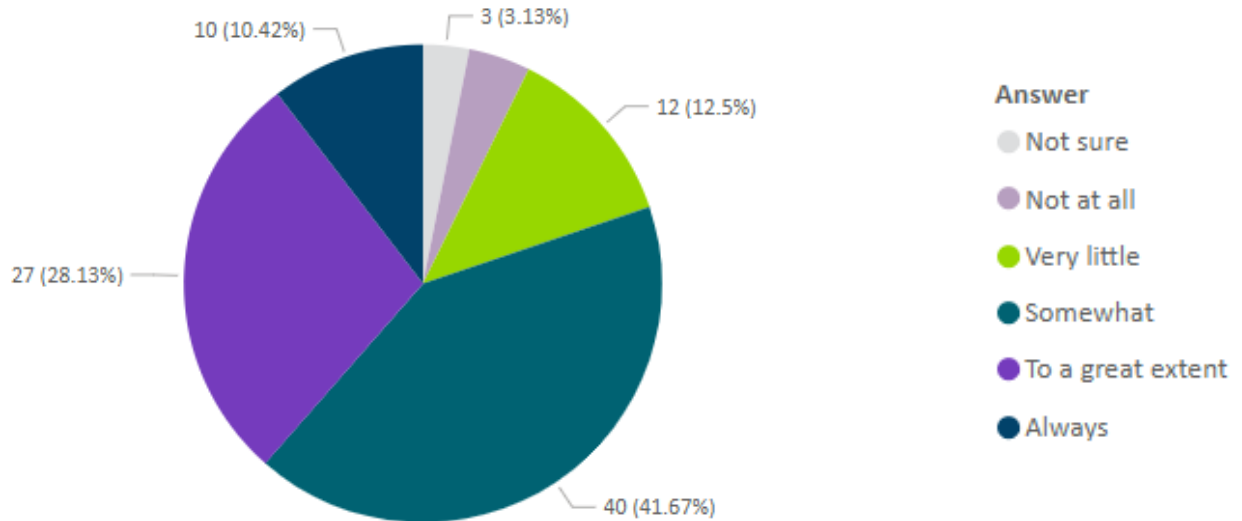


Figure 2 Uses data and insights to inform planning and decisions

**Over 80%** of agencies use data and insights to inform planning and decisions.

## Has clearly defined plans to manage conflicts of interest

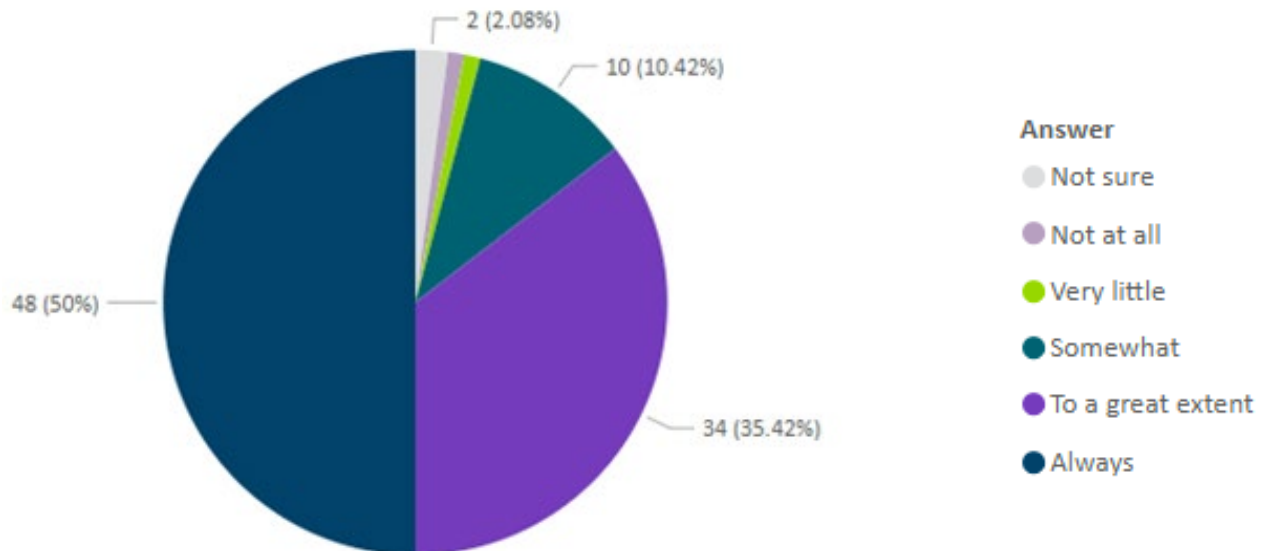


Figure 3 Has clearly defined plans to manage conflicts of interest

**Over 95%** of agencies have defined plans to manage conflicts of interest.

## Uses internal and external stakeholders to determine procurement requirements

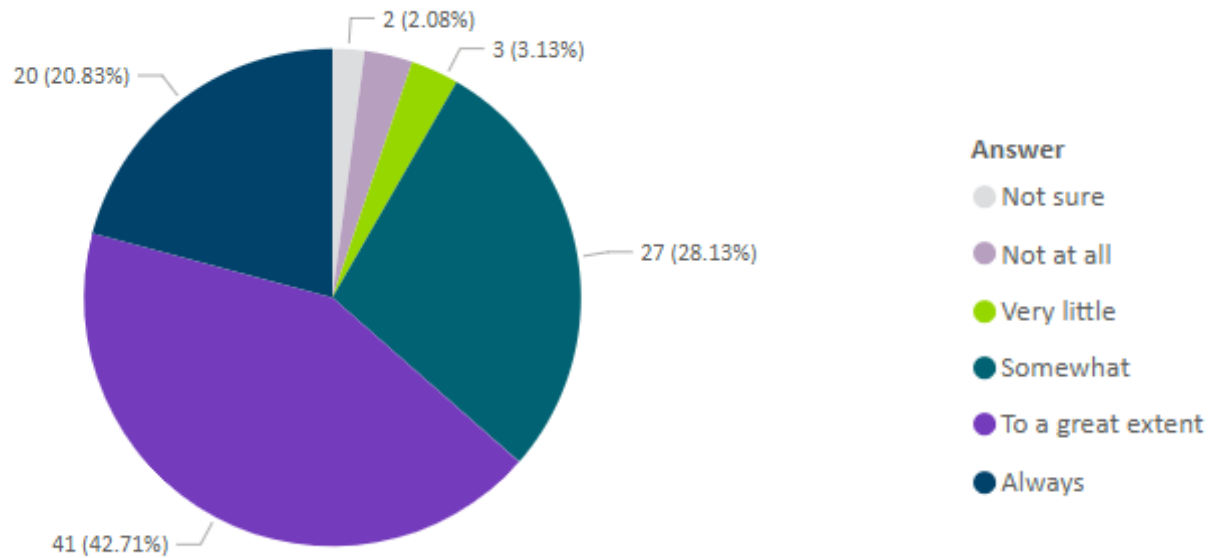


Figure 4 Uses internal and external stakeholders to determine procurement requirements

Over **90%** of agencies use internal and external stakeholders to determine their procurement requirements.

## Creates procurement plans in consultation with all relevant stakeholders

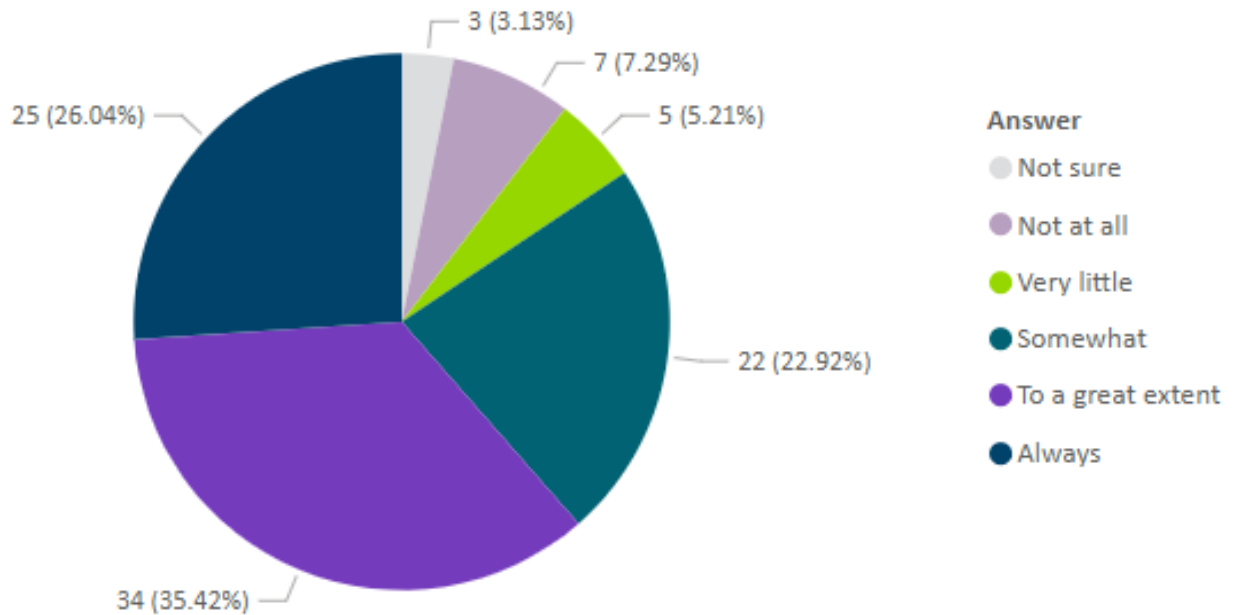


Figure 5 Creates procurement plans in consultation with all relevant stakeholders

Over **80%** of agencies create procurement plans in consultation with relevant stakeholders.

Considers government and business priorities and dependencies

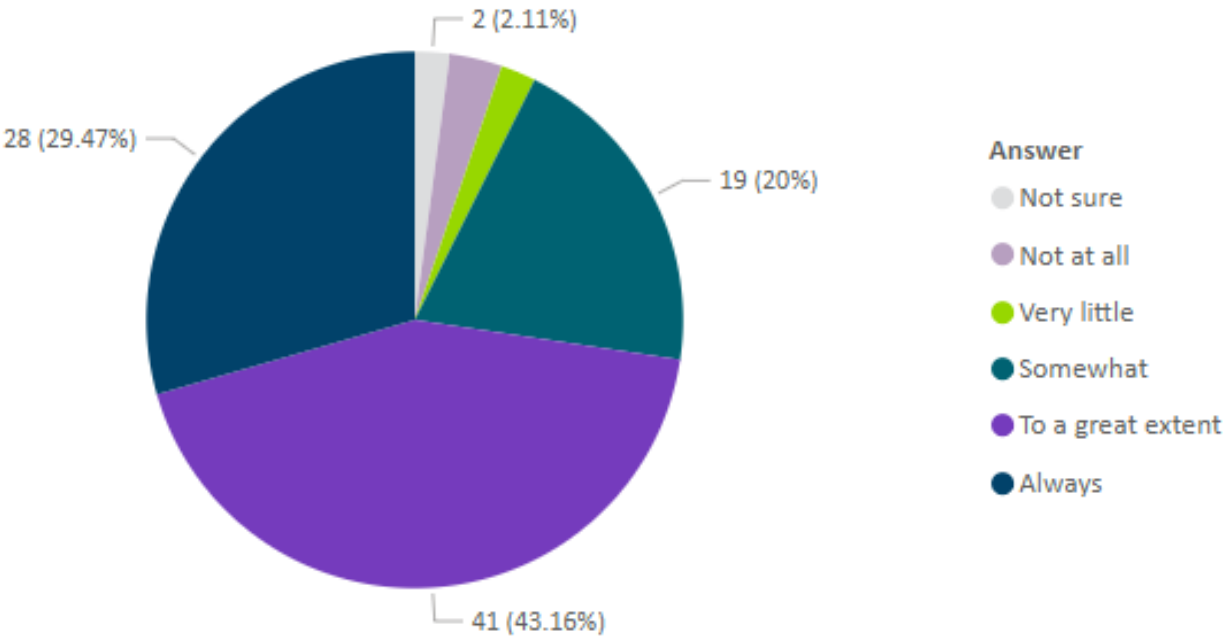


Figure 6 Considers government and business priorities and dependencies

Over **90%** of agencies consider government and business priorities and dependencies in their procurement planning.

Conducts market research to inform procurement planning

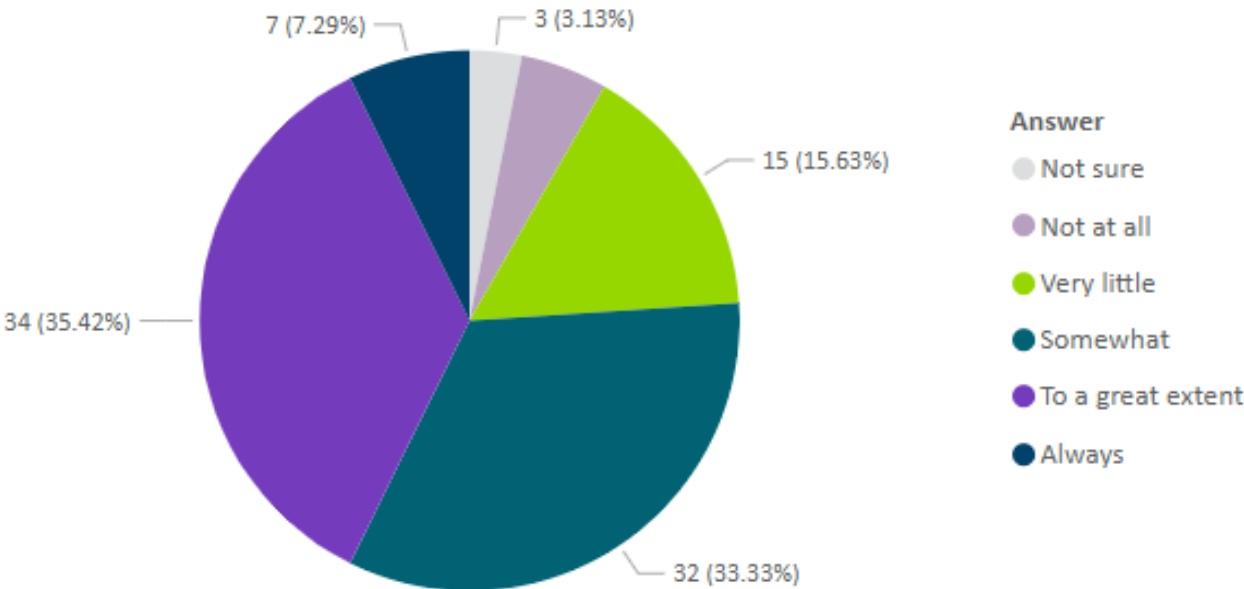


Figure 7 Conducts market research to inform procurement planning

Over **75%** agencies carry out market research to inform their procurement planning.



## Broader outcomes



**84%** of agencies consider [broader outcomes](#) as part of their agency's procurement activity.

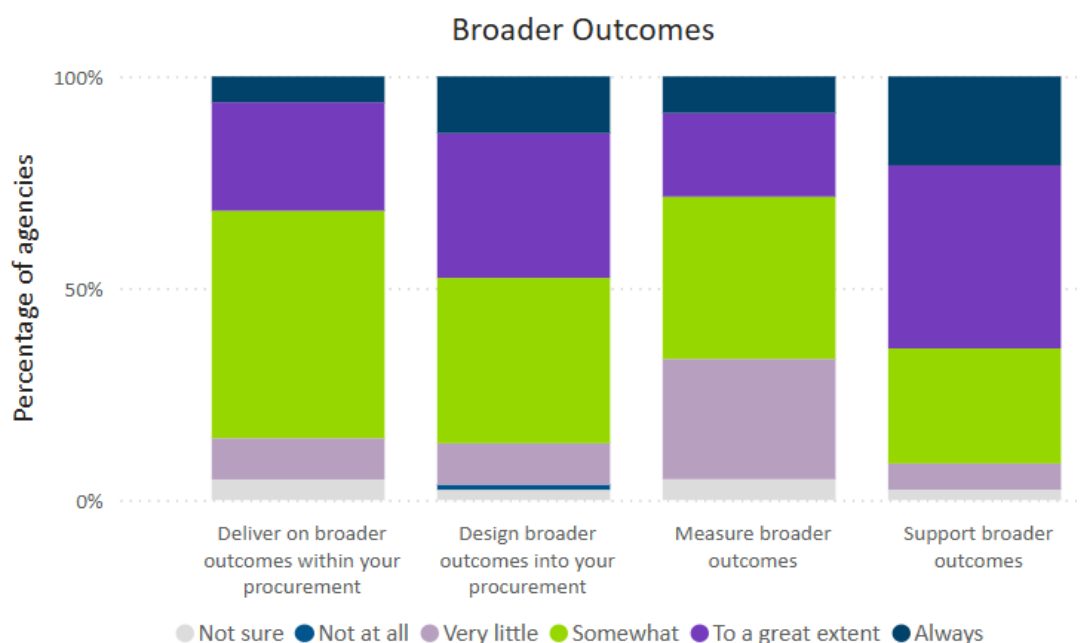


Figure 8 Broader Outcomes



**85%** of agencies deliver on broader outcomes within their procurements.

**87%** of agencies design broader outcomes into their procurements.

**67%** of agencies measure broader outcomes.

**91%** of agencies support broader outcomes.

## Sourcing



**34%** of agencies require more than one quote when a procurement is \$50,000 or more.

**15%** of agencies do not require more than one quote for any level of spend

Table 1 Level of spend requiring more than one quote

Level of spend requiring more than one quote	Percentage of agencies
\$1 - \$9,999	25%
\$10,000 - \$24,999	14%
\$25,000 - \$49,999	11%
\$50,000 - \$99,999	22%
\$100,000 and above	12%



**73%** of agencies seek a range of sourcing solutions to manage high value or critical spends.



**57%** of agencies seek out **advice from NZGP** for spend that is of high value or critical.



Over **50%** of agencies communicate their procurement plans with potential suppliers. 8% of agencies were unsure.



**57%** of agencies reported that their supplier selection process either always or to a great extent aligns with their overall corporate and supply chain objectives.



**42%** of agencies **always** offer and provide debriefings to unsuccessful bidders.

Debriefs provide value to potential suppliers and agencies. For more details visit <https://www.procurement.govt.nz/principles-charter-and-rules/government-procurement-rules/awarding-the-contract/debriefing-suppliers/>

## Supplier and contract management



**100%** of agencies keep signed contracts with suppliers on file.

### Supplier management

Agencies manage their suppliers in the following ways:



**93%** manage suppliers in accordance with their contracts.

**95%** manage suppliers in accordance with timeframes and reporting requirements.

**94%** manage suppliers in accordance with quality and cost.

## Supplier relationship management and performance



**26%** of agencies have a formal supplier relationship management process in place. Of those agencies that do, nearly half are in the public service (46%).

NZGP’s [government supplier management programme](#) aims to improve practices across government, the resilience of the supply chain, and achieve greater value from suppliers.

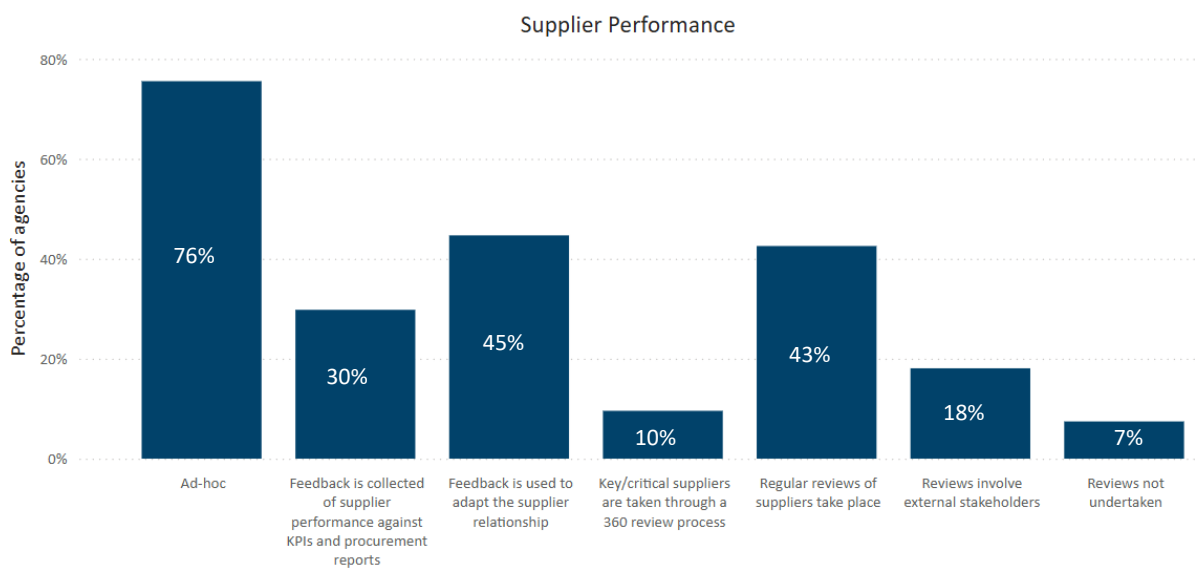


Figure 9 Supplier Performance



**93%** of agencies review supplier performance, using a range of methods as outlined in the above graph.

## Supplier segmentation



**37.5%** of agencies segment their suppliers.



**63%** of agencies segment their suppliers by types of supply (for example, goods and services). Agencies also segment their suppliers by several other measures including value of contract, expertise, size of project, and target audience.

## Contract management



**56%** of agencies have a contract management system.

Good record keeping helps manage risk and provides auditable evidence of events and decisions. Records of communications, meetings, reviews, and any resulting actions provide context and can be used for resolving issues.

For best practice guidelines see the New Zealand Government Procurement website: [Manage the contract](#) | [New Zealand Government Procurement](#)

## Critical suppliers and contracts



**31%** of agencies identify their critical suppliers and contracts in their systems.

**31%** of agencies have engagement plans in place and maintained for their critical suppliers.

Of those agencies that do identify their critical suppliers and contracts:



**46%** can easily identify most if not all their critical **suppliers** in their contract management systems or databases.



**47%** can easily identify most if not all their critical **contracts** in their contract management systems or databases.



**57%** update their list of critical suppliers at least annually.

Extra Large agencies are the most likely to review their critical suppliers annually, while extra small and small agencies are more likely to do so on a six-monthly basis.



**84%** of agencies reported that their senior leadership teams (SLT) are aware of their critical suppliers and contracts.

## Risk management



**96%** of agencies have a risk management framework.

Business cases are the most used risk management approach. Other approaches used regularly are Investment Decision Making, and Better Business Case practice.

## Business contingency plans



**84%** of agencies have a business contingency plan in case of disruption to a critical service. All of the extra small agencies, bar one, have business contingency plans.

## Performance monitoring



**80%** of agencies monitor contract and supplier performance. Most agencies ensure that the procurement is within budget, achieves the desired outcomes, on time delivery and that it is fit for purpose.

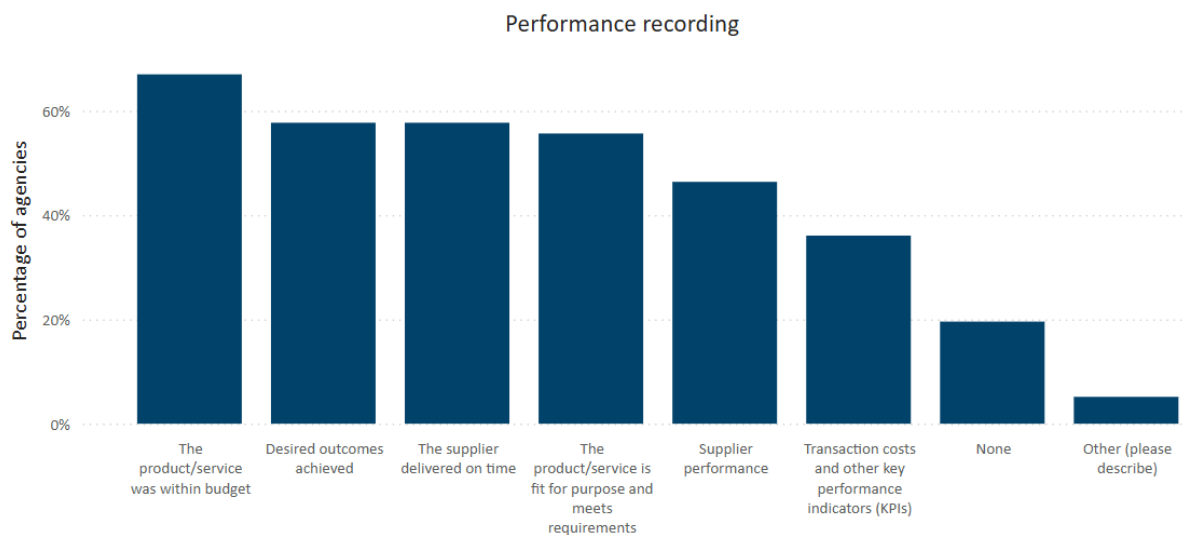


Figure 10 Performance recording

## Supplier and contract performance



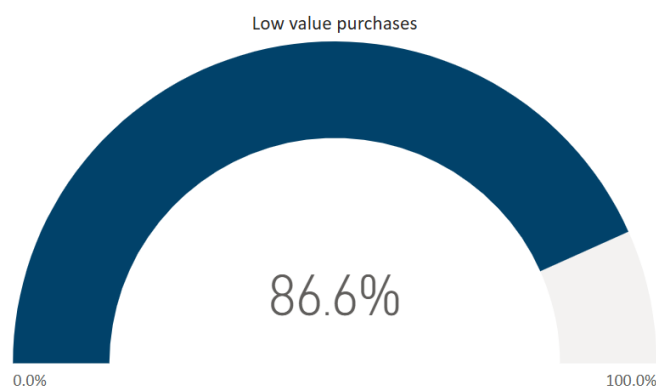
**32%** of agencies track and report **supplier performance** metrics.



**28%** track and report **contract performance** metrics.

Best practice guidance can be found on our website: [Managing performance during delivery | New Zealand Government Procurement](#)

## Procurement practice



**87%** of agencies have a process for managing one-off low-value purchases.

Figure 11 Low value purchases



**45%** of agencies undertake procurements with other agencies.



Of those agencies that conducted procurement activities with other agencies, they did so **13** times on average during the 2023/24 financial year.

The most frequently outsourced aspects of procurement by agencies are:



1. legal advice
2. external procurement consultant
3. contractor resource for large projects
4. external probity.

Opportunities to collaborate with other agencies exist across the system. For example, consider whether there is value in your agency joining one of the [syndicated contracts](#).

## People and capability



Procurement is seen as both **important** (76%) and **valuable** (67%) by agencies.

**63%** of agencies reported that procurement is **well-utilised** within their agency.

## Workforce

The data below represents the total full-time equivalents (FTEs) as at the 30 June 2024 reported by the 97 agencies that completed the PCI survey.



**99,930** total full-time equivalents (FTEs) in the workforce.

- Public Service - 60,810 FTEs (25 agencies)
- State Service - 39,120 FTEs (72 agencies)

**731** total FTEs dedicated to procurement.

**7.5** average FTE size of a procurement team.

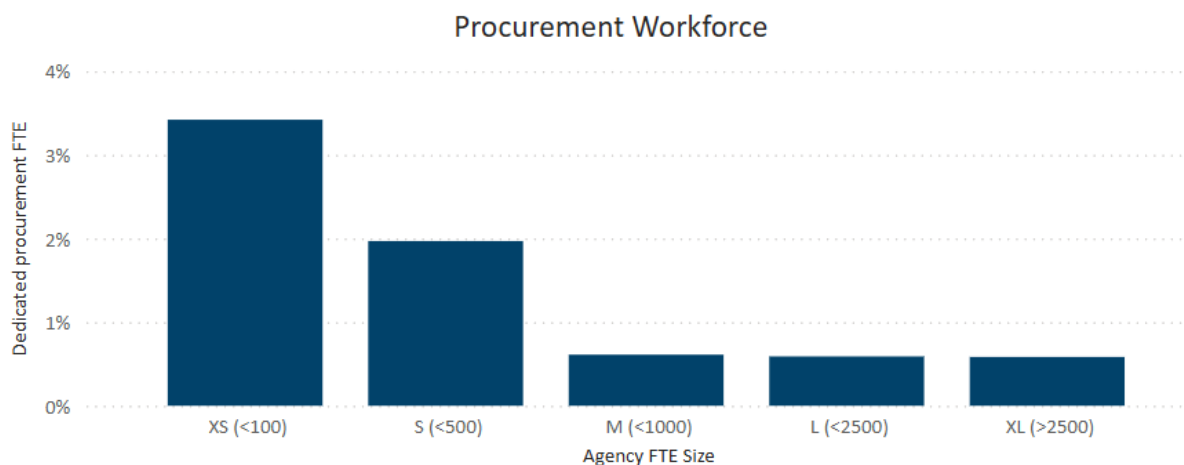
### Agency workforce and procurement team size

FTE Category	Number of Agencies	Sum of Agencies FTEs	Average Agencies FTE	Sum of Procurement FTEs	Average Procurement FTE
Extra Small (<100)	38	1,524.62	40.12	52.15	1.37
Small (<500)	30	7,341.69	244.72	144.60	4.82
Medium (<1000)	11	7,965.03	724.09	48.65	4.42
Large (<2500)	04	5,751.10	1,437.78	33.93	8.48
Extra Large (>2500)	14	77,347.77	5,524.84	451.40	32.24
<b>Total</b>	<b>97</b>	<b>99,930.20</b>	<b>1,030.21</b>	<b>730.73</b>	<b>7.53</b>

\*Figures include part time workers eg employees who work 20 hours per week are 0.5FTE.

*Table 2 Agency total workforce and procurement team size*

The graph below displays the size of the reported procurement workforce as a percentage of the agencies total FTE count. Total agency FTE is one factor that may impact the size of a procurement team; other factors include total procurement spend, third party expenditure levels, range of goods and services purchased, and complexity of supply markets.



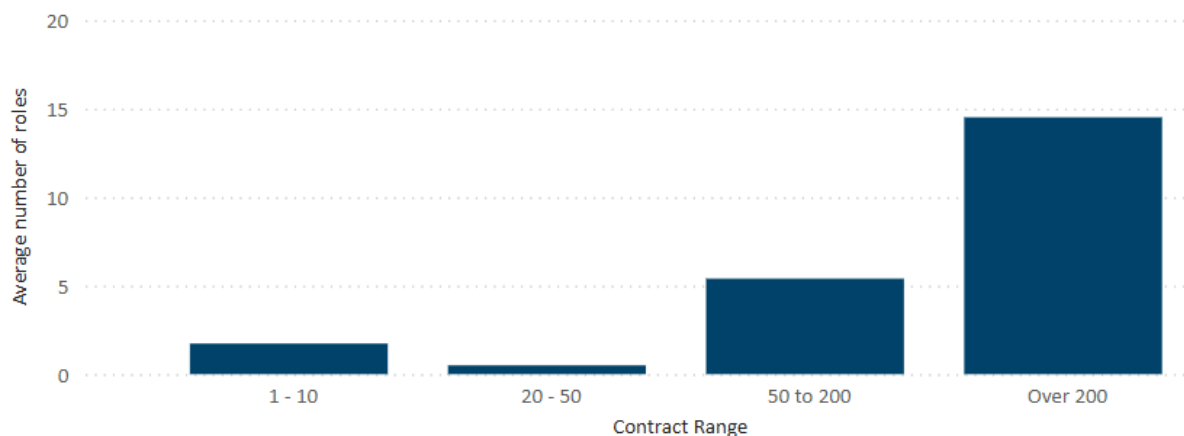
*Figure 12 Procurement Workforce*

## Managing contracts and supplier relationships



1,172 people across 49 agencies have roles that primarily involve managing contracts or supplier relationships. This includes FTEs who may also work within an agency's procurement team.

**Average number of contract management/SRM roles by active number of contracts**



*Figure 13 Average number of contract management/SRM roles by active number of contracts (valued >\$100,000) in the FY 2023/24*



Agencies that had over 200 active contracts (valued at over \$100,000) in the FY 2023/24 had an average of 14.5 FTE's managing those contracts and supplier relationships.

## Procurement training



**52%** of agencies reported that people involved with **managing contracts** participate in procurement-specific training. For more information see Hīkina – Learning for Government Procurement and Property [Summary of Contract Management Fundamentals](#) | [Hīkina-Learning for Government Procurement and Property](#).



**45%** of agencies reported that people involved with **supplier relationship management (SRM)** participate in procurement-specific training.

Supplier relationship management tools and templates can be found on our website: [Introduction to supplier relationship management](#) | [New Zealand Government Procurement](#).



## Procurement function

### How the procurement function is aligned within agencies

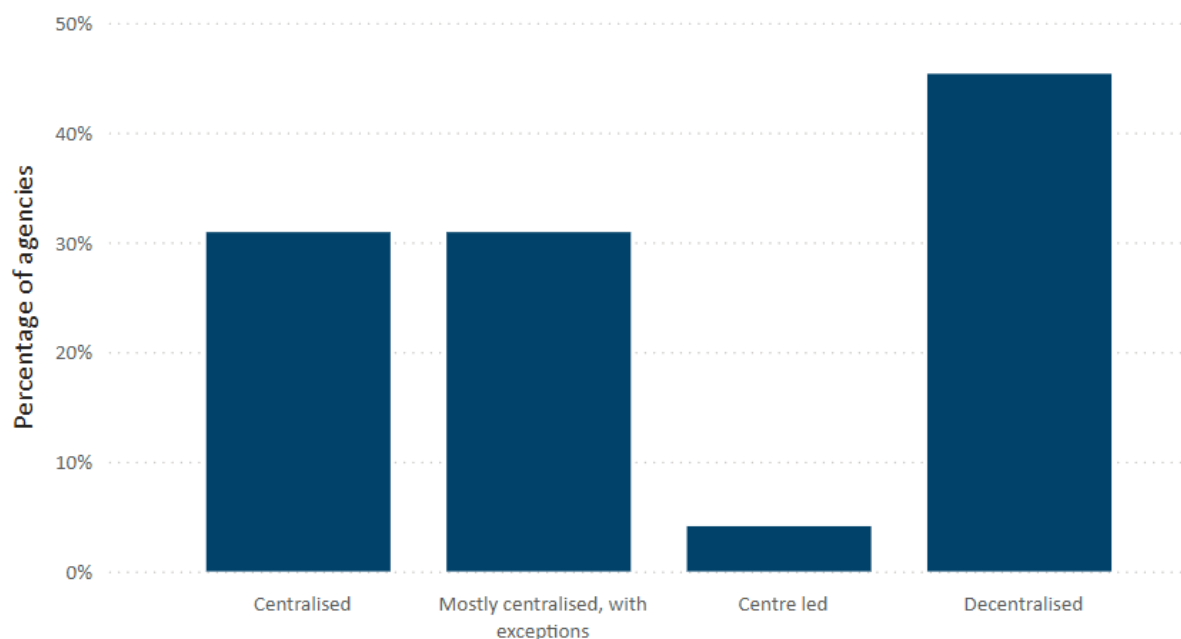


Figure 14 How the procurement function is aligned within agencies

#### Definitions:

- Centralised – dedicated procurement role/team with responsibility for agency's procurement.
- Mostly centralised, with exceptions (for example, ICT).
- Centre led – governed by the directives from another agency.
- Decentralised – business groups have responsibility for their own procurement.



**56%** of agencies have centralised, or mostly centralised, procurement functions.

The graph below shows how the procurement function is structured across the different sectors.

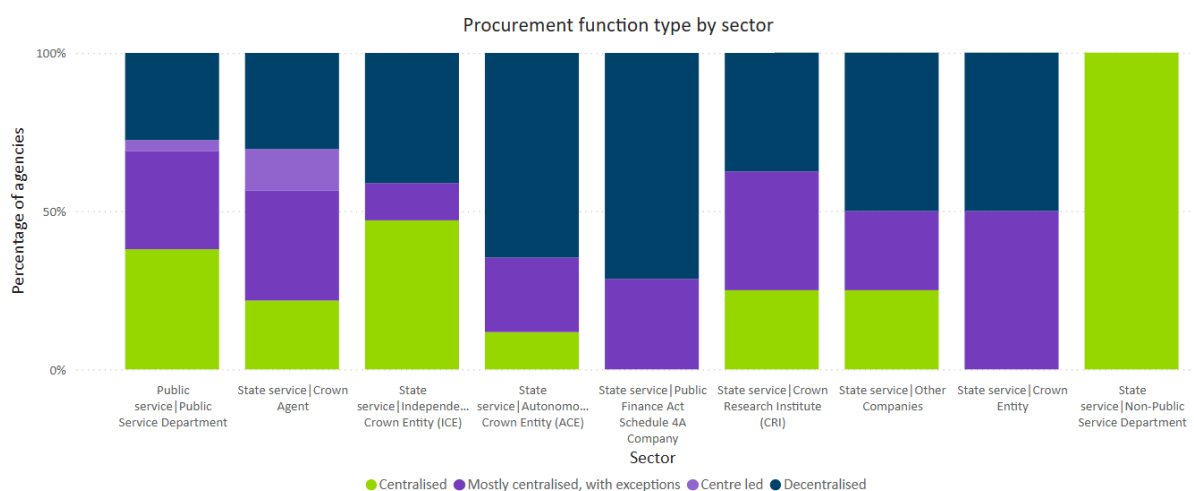


Figure 15 Procurement function type by sector

Staffing maturity



**88%** of agencies identify opportunities to improve the competency and skills of their procurement team to some degree.

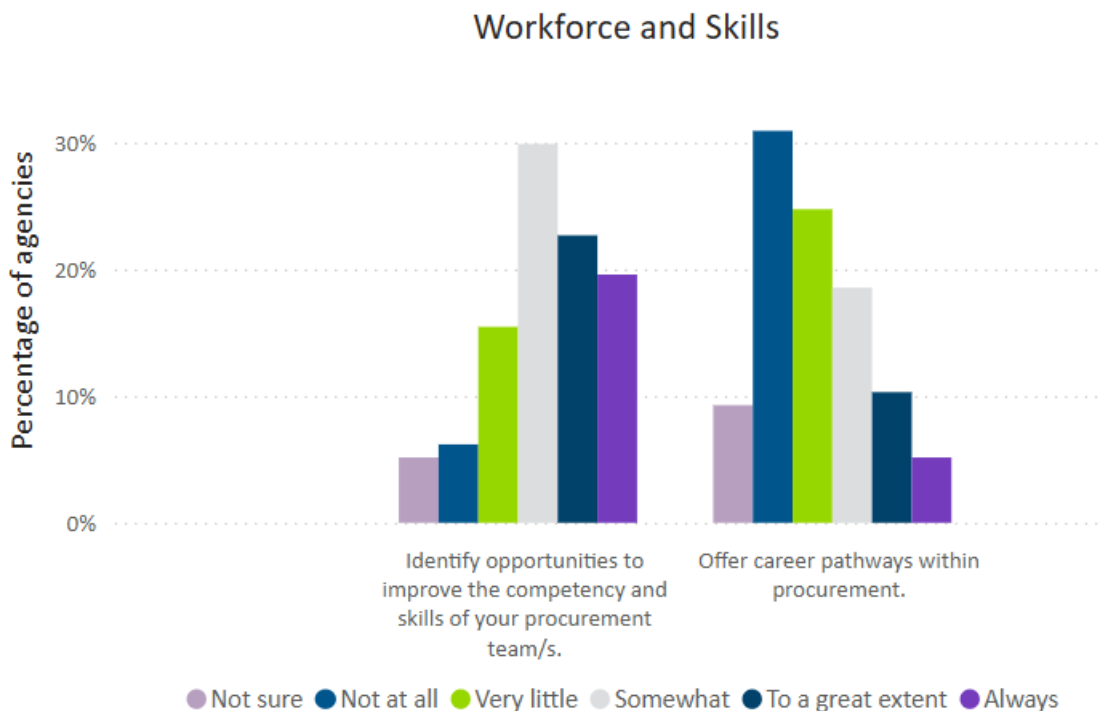


Figure 16 Workforce and skills



**59%** of agencies offer career pathways within procurement. For an example, see the social sector procurement competency framework and learning pathways guide on our website: [Growing procurement capability | New Zealand Government Procurement](#)



**67%** of agencies reported that they encourage staff outside of their dedicated procurement function to develop procurement skills.



**84.5%** of agencies reported that they collaborate between their agency's procurement team and the rest of the business.

# Annex 1: Methodology

Following engagement with agencies, the PCI self-assessment survey was updated in 2024 to make it easier for agencies to complete the assessment and reduce subjectivity. This approach provides agencies with detailed reporting and meaningful insights to help identify areas for development and opportunities and allow comparisons with their peers.

The 2024 PCI survey was open from 30 September 2024 to 29 November 2024. The closing date was extended to 6 December 2024 as several agencies requested additional time to complete the survey.

All mandated agencies received a link to the survey. Non-mandated agencies were also invited to complete the PCI.

Several questions within the survey were not compulsory. Skip-logic was incorporated meaning that based on the response, agencies only had to answer questions relevant to them. Therefore, not all data presented in this report includes responses from all 97 participating agencies. Where it is considered significant to the data displayed, the number of agencies who responded is stated.

Data has been extracted and transformed into a single dataset. This allows for questions to be grouped and compared and plotted alongside each other, for example, critical suppliers vs. critical contracts. This streamlined approach facilitates comprehensive data analysis and enables the identification of trends and patterns.

Other groupings using FTE size and sector information (for example, public sector vs. state sector) have been developed to facilitate a targeted analysis and comparison. This segmentation has enabled us to identify specific patterns and opportunities within different sectors, leading to tailored and identifiable capability results.

**All reported data relates to 2023/24 financial year**

## SURVEY PARTICIPANTS

We received completed survey responses from **97 agencies**, all of whom were mandated agencies. Nine mandated departmental agencies had data reported on their behalf by their parent agency.

NZGP granted 7 agencies' exemptions due to a range of reasons including agency size, disestablishment, no dedicated procurement function, and agencies with low risk/value/number of procurements.

Currently there are a total of 128 mandated agencies, bringing the participation rate in the 2024 PCI survey to **78%**. This compares to the 2023 where 57% of mandated agencies completed the survey.

## PARTICIPATING AGENCIES

The following tables summarise the makeup of the **97** agencies that responded to the PCI survey.

Only 4 large agencies (by FTE size) completed the survey - 3 of which are public service agencies and one a State Service | Crown Entity. Extra small and small sized agencies were the dominate survey respondents.

A total of **25** public service agencies, and **21** state service /crown agents responded to the survey.

## NUMBER OF SURVEY RESPONDENTS BY SECTOR AND AGENCY FTE SIZE

Merged Sector	Extra Small <100	Small <500	Medium <1000	Large <2,500	Extra Large >2,500	Total
Public Service   Public Service Dept	3	6	3	3	10	25
State Service   Autonomous Crown Entity	9	6	-	-	-	15
State Service   Crown Agent	5	9	3	1	3	21
State Service   Crown Entity	1	1	-	-	-	2
State Service   Crown Research Institute	-	2	4	-	-	6
State Service   Independent Crown Entity	14	3	-	-	-	17
State Service   Non-Public Service Dept	-	-	-	-	1	1
State Service   Other Companies	1	1	1	-	-	3
State Service   Public Finance Act Schedule 4A Company	5	2	-	-	-	7
Total	38	30	11	4	14	97

There is a wide range of agency sizes who responded to the PCI 2024 survey, which affects the data results when displayed as a percentage of agency size. This is especially relevant when only 4 large agencies completed the survey.