



COVER BRIEFING

Discussion on government procurement

Date:	1 December 2023	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1143

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Economic Development	Note the contents of the attached slides for your discussion with MBIE officials on Monday, 4 December 2023	4 December 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Laurence Pidcock	General Manager, New Zealand Government Procurement	s 9(2)(a)	✓
Richard Lee	Head of Strategy, Policy and Governance, New Zealand Government Procurement	s 9(2)(a)	
Coreen Adamson	Policy Manager, New Zealand Government Procurement	s 9(2)(a)	

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



COVER BRIEFING

Discussion on government procurement

Date:	1 December 2023	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1143

Purpose

This briefing provides you with further information on government procurement to inform your discussions with the officials from the Ministry of Business, Innovation and Employment at your upcoming officials meeting on 4 December 2023.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the contents of the attached slides for your discussion with officials from the Ministry of Business, Innovation and Employment on at your officials meeting on Monday, 4 December 2023.

Noted

Laurence Pidcock
General Manager, New Zealand
Government Procurement, Building and
Resource Markets, MBIE

1/12/2023

Hon Melissa Lee
Minister for Economic Development

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Background

1. On Monday, 27 November 2023, you received the Briefing for the Incoming Minister (BIM) for Economic Development, which outlined your portfolio responsibilities. As part of this portfolio, you have responsibility for government procurement. The attached slide pack provides more information on the government procurement.

Key points

2. The information in the slide pack provides you with an overview of government procurement and key initiatives that can support your priorities. Some key points are:
 - a. Procurement is a strategic enabler to maximise public value from any government expenditure through third parties.
 - b. You (and Cabinet) have responsibility for setting the strategic objectives and priorities for the procurement system and aligning them to the Government's wider goals.
 - c. This is done through a framework of central system-level leadership, Procurement Rules, and guidance.
 - d. There is a limit to the number of government objectives that the system can achieve in ways that do not increase cost and make sense to markets and suppliers.
 - e. There are opportunities to deliver greater efficiencies and reduce bureaucracy and red tape through the procurement system, particularly through system improvements in technology, capability, and motivating agency collaboration.
 - f. NZGP directly manages 19 All-of-Government (AoG) contracts that cover a range of common goods and services, totalling around \$3 billion annually. Established under the Government Better Public Services reforms in 2009/10, this programme achieves cost savings and efficiencies from agencies' purchases through it. Recent savings amount to \$200 million in 2022/23. This is an eight-fold return on investment from funding NZGP receives (approximately \$26 million per year, the majority from agency level funding through AoG contracts).

Annexes

Annex One: Government Procurement summary slides

Annex One: Government Procurement summary slides

Released under the
Official Information Act 1982



NEW ZEALAND
GOVERNMENT PROCUREMENT

Government Procurement

Summary for the Minister for Economic Development

1 December 2023

Laurence Pidcock, General Manager, New Zealand Government Procurement

Government spends ~\$51b p.a. on goods and services with third party suppliers

- To deliver public services to New Zealand within fiscal boundaries, it is critical the Government maximise value from any expenditure with third party suppliers
- Highly devolved Public Service. Individual agencies make purchase decisions
- Government sets expectations to influence and impact these decisions via:
 - Procurement Rules
 - Guidance
- \$3 billion of common goods and services annually managed through central MBIE contracts
- Savings of \$200 million achieved through these contracts in FY 2022/23
- Expectations are tiered:
 - ~140 “mandated” agencies must apply Rules
 - CRIs expected to apply Rules
 - ~3,000 agencies encouraged to apply Rules (incl. schools, state-owned enterprises and councils)
- System Leader (MBIE) oversees whole-system procurement performance. To better coordinate across govt, there are 7 system leads, incl. 3 most mature: Procurement, Digital and Property

Finding and unlocking value – where is it?

Value in procurement is across every part of the cycle

Not just tendering and negotiating

Also: deciding what to buy, how and who from:

- **Business need:** Is procurement the best solution?
- **Plan:** Understand the market, plan strategically
- **Source:** Best way of approaching market (not auto-tender)
- **Manage:** Actively work with suppliers to maximise value

Not just what we buy, but who we buy from and how we buy from them can accelerate opportunities to deliver government priorities



How is procurement currently performing?

Procurement is delivering value, but can deliver more

Internationally NZ's procurement system is highly regarded...

- *Integrity* – The system-as-a-whole is (relatively) transparent and fair
- *Your priorities* – System can incorporate changes in government priorities
- *Not overly prescriptive* – Rules-based but allows for sound commercial decisions to be made

Challenges... there are improvements needed in three critical areas:

- *Data and transparency* – Aggregate easy-to-access data – what is being purchased; at what cost; who is buying; who is supplying; benefits realised
- *Working together* – Active co-ordination of agency purchases where there are benefits – government as “single smart purchaser”
- *Capability and value* – Simplifying practices managed by capable procurement personnel and supported by specialist expertise

This is mostly about changing behaviour (not investment)



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 and collaboration, 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.

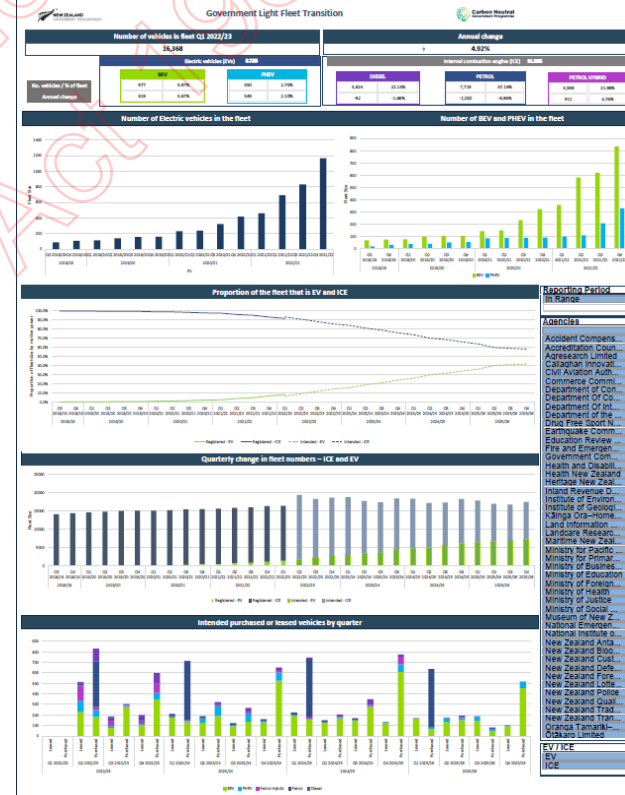
What will drive these improvements?

NZ's procurement system is transforming

- *Transparency*: Shining the light on comparative performance will accelerate changes in behaviour
- *Insights*: Ability for all players to identify trends and risks will reveal opportunities and lift capability
- *System Leadership*: Ability to actively monitor performance at agency, sector and whole-system level will improve accountability

System improvement initiatives:

- Rolling out a common eProcurement platform to all agencies, including data standards
- Strengthening relationships with government's strategic (critical) suppliers
- Expanding use of All-of-Government contracts



Delivering on your priorities – key trade-offs

Procurement can deliver (all kinds of) change – but at a cost

Recent areas of focus:

- Decarbonisation (uptake of EVs and lower carbon new builds)
- Social procurement (e.g., Progressive Procurement)
- Employment standards (e.g., pay the Living Wage for certain govt contracts)
- Managing national security risks

Limits to both **what** and **how much** procurement can do:

- Procurement isn't always best lever – other levers sometimes better
- Suppliers understand priorities – but too many are confusing
- New initiatives come at a cost

There will be critical trade-offs to make when prioritising value for money vs additional priorities



To summarise:

- Effective management critical to extracting value from \$51.5 billion p.a. public sector spend with third party suppliers
- Procurement key lever to achieving this. You can choose the strategic focus for government procurement
- New Zealand Government Procurement, within MBIE, is mostly self-funded through agency levy on All-of-Government contracts
- Targeted work programmes for system improvement will reduce red tape and realise efficiencies in procurement system

Opportunities to realise efficiencies and savings:

1. **Building a central Procurement Platform** to get better data and visibility of what and from who government is buying. Transparency of agency performance will also accelerate changes in behaviour.
2. **Leveraging All of Government contracts** to save government money (\$200M in 2022/23 from centrally managed contracts with ~ \$3 billion spend). We can advise on further opportunities to maximise value from these contracts and prioritise cost savings and efficiencies.
3. **Contractors and consultants** - The Treasury and the Public Service Commission are preparing advice to brief Ministers on reducing contractor and consultant expenditure (in addition to targeted baseline savings). Contractors and consultants are sourced through AoG contracts so MBIE can monitor individual agency spend and help Treasury and PSC to drive accountability on expectations to reduce spending.



BRIEFING

New Zealand Government Procurement – supporting your priorities

Date:	21 December 2023	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1416

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Economic Development	<p>Note that government procurement can be a powerful and effective lever for delivering government priorities.</p> <p>Direct NZGP to continue to seek savings and efficiency gains from the All-of-Government contracts and the development of an end-to-end procurement platform.</p> <p>Discuss with officials the opportunities to leverage government procurement to deliver secondary outcomes through procurement and other initiatives outlined in this briefing.</p>	23 January 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Laurence Pidcock	General Manager, NZ Government Procurement	s 9(2)(a)	✓
Richard Lee	Head of Strategy, Policy and Governance, NZ Government Procurement	s 9(2)(a)	

The following departments/agencies have been consulted

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



BRIEFING

New Zealand Government Procurement – supporting your priorities

Date:	21 December 2023	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1416

Purpose

On 27 November 2023, you received the Briefing for the Incoming Minister (BIM) for Economic Development, which outlined your portfolio responsibilities, including high level information about government procurement. This briefing provides you with further information on government procurement and invites you to discuss opportunities with New Zealand Government Procurement (NZGP) officials from the Ministry of Business, Innovation and Employment.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that government procurement can be a powerful and effective lever for delivering government priorities.
- b **Direct** NZGP to continue to seek savings and efficiency gains from the All-of-Government contracts and the development of an end-to-end procurement platform.
- c **Discuss** with officials the opportunities to leverage government procurement to deliver secondary outcomes through procurement and other initiatives outlined in this briefing.

Noted

Yes / No

Laurence Pidcock
**General Manager, New Zealand
Government Procurement, MBIE**
21/ 12 / 2023

Hon Melissa Lee
**Minister for Economic
Development**

..... / /

Introduction

1. The New Zealand public sector spends around \$51.5 billion¹ each year on purchases of goods and services from suppliers to support the delivery of its activities, including infrastructure, social and other public services, and routine and specialised goods and services. Government procurement spend is 17% of GDP and has a huge impact on the New Zealand economy.
2. Disciplined management of this spend is critical to maximising value and ensuring that procurement activities align with and contribute to the government's priorities, including spending public money carefully and with a clear purpose.
3. As Minister for Economic Development, you are the Minister responsible for government procurement policy settings. The Chief Executive of the Ministry of Business, Innovation and Employment (MBIE) is the System Lead for procurement and oversees the whole-of-system performance. New Zealand Government Procurement (NZGP), a branch within MBIE, is responsible for implementing the government's procurement priorities.
4. This briefing provides you with information on the government procurement system, opportunities, and details of the work of NZGP. It seeks your confirmation to continue work on initiatives to achieve savings; efficiencies; reduce red tape and bureaucracy; and align procurement to the government's priorities.

Overview of Government Procurement

5. The New Zealand public sector spends around \$51.5 billion each year on purchases of goods and services from suppliers to support the delivery of its activities. An overview of the government's largest categories of spend is set out in [Annex One](#).

What does procurement activity cover?

6. Good procurement covers the critical analysis of an agency's needs, understanding the market capability and capacity, and implementing a robust sourcing, contract, and supplier relationship management strategy:
 - *Planning*: includes identifying business needs and outcomes sought; putting in place the right governance and management frameworks and planning the approach to market.
 - *Sourcing*: includes approaching the market and evaluating suppliers; selecting the right one; and negotiating and awarding the contract.
 - *Managing*: includes ensuring that the procurement activity delivers the outcomes sought, and consistently managing the contract and supplier relationship(s) to derive maximum value.

¹ This figure was last calculated by Statistics New Zealand in 2019 as an estimate of annual spend by the public sector. It will be updated in 2024 and we anticipate a material increase.

Setting the direction and outcomes for procurement

7. New Zealand's Public Service chief executives have autonomy over how their departments operate, including accountability for their procurement. The breadth of both the type and volume of spend means that agencies need to remain primarily responsible for what they purchase. However, they must do this within the government's procurement framework made up of policy, Government Procurement Rules, and guidance.
8. You (and Cabinet) have responsibility for setting the strategic objectives for the government procurement framework.
9. The Chief Executive of MBIE is responsible, as the Procurement System Leader², for leading and co-ordinating government procurement best practice and supporting the Minister for Economic Development to drive the Government's strategic objectives for procurement. Their mandate enables them to do this by:
 - directing agencies to use system-wide frameworks and arrangements (e.g., All of Government contracts, systems, and practices);
 - lifting procurement capability (e.g., setting core competencies and practice expectations);
 - establishing outcome measures and monitoring system performance;
 - identifying areas of agency under-performance and requiring remedial actions; and
 - facilitating and coordinating cross-agency collaboration across the government procurement system.

Opportunities for government procurement

Opportunity 1: Continue to seek savings and efficiencies from All-of-Government Contracts

10. Established under the Government Better Public Services reforms in 2009/10, the All-of-Government (AoG) contracts achieve cost savings and efficiencies from agencies that purchase through it. Annual savings amounted to over \$200 million in 2022/23.
11. NZGP centrally manages 19 AoG contracts. These cover a range of common goods and services such as recruitment, contractors and consultants, office supplies, electricity, reticulated gas, motor vehicles, air travel, consultancy services, banking, external legal services.
12. AoG contracts:
 - save agencies (and the Government as a whole) money by leveraging our collective purchasing power and avoiding duplication;
 - drive efficiencies for government and suppliers through standardised processes and effective supplier relationship management;
 - improve service quality for both government and suppliers.

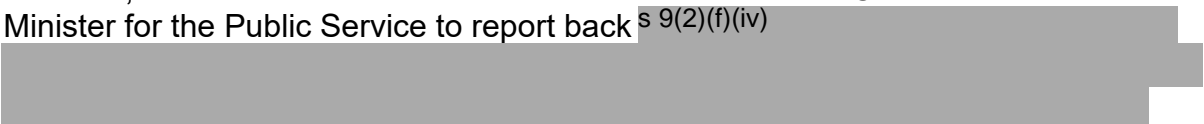
² Designated by the Public Service Commissioner under the Public Service Act 2020.

13. To derive greater value from AoG contracts, NZGP is developing work programmes to:
- ensure an uptake in participation and utilisation of these contracts by more public sector agencies;
 - focus on seeking value for money when returning to market for expiring contracts and less on non-commercial outcomes;
 - manage supplier performance to realise additional benefits and reduce normal contract value erosion; and
 - monitor and manage agency spend from AoG contracts, in particular, on contractors and consultants.

Opportunity 2: Leverage procurement to contribute to economic, environmental, and social outcomes – update as necessary to align with government priorities

14. In recent times, governments globally have sought to deliver secondary outcomes, (i.e., economic, environmental, and social outcomes) through procurement in addition to the goods and services being purchased. New Zealand has also adopted this approach. You are able to make strategic choices about how the procurement framework (including the Rules) gives effect and contributes to the Government's wider priorities. This includes considering how existing policies may be refocussed or developed to align with them.
15. Some initiatives introduced over the last three years supporting economic, environmental, and social outcomes included:
- Employment standards: ensuring a living wage for cleaning, catering, and security guard services in government contracts;
 - Progressive procurement: focus on increasing the diversity of suppliers;
 - Decarbonisation of the public sector: requiring agencies to transition light fleet vehicles to electric vehicles; and requiring the use of building rating systems (such as Green Star) when constructing certain types of government buildings.
16. While procurement can be a lever to impact economic, social, and environmental change, there are limits to both what and how much procurement can do. The number of government objectives that the system can achieve in ways that makes sense to markets and suppliers is limited by the ease with which they can be applied and the benefits that can be realised.
17. You may be asked to consider using procurement to contribute to the portfolio priorities of your ministerial colleagues, through secondary outcomes, from time to time. We will support you with advice, which will take into account the opportunities and risks associated with the above.

There are two commitments in the coalition agreements that are seeking secondary outcomes through procurement...

18. The commitment in the ACT/National coalition agreement to award contracts "based on value, without racial discrimination". We understand that Cabinet has invited the Minister for the Public Service to report back ^{s 9(2)(f)(iv)}
- 

you in any ministerial consultation and engagement required.

19. The NZ First/National coalition agreement has a commitment to “direct agencies where practical and appropriate to preference the use of woollen fibres rather than artificial fibres in government buildings.” The Rules require agencies to seek value for money and are materials agnostic for this reason. NZGP (in conjunction with the Ministry for Primary Industries) has guidance in place that encourages agencies, where appropriate, to use wool in the construction of government buildings.
20. We will engage with you about these commitments in early 2024.

Opportunity 3: Government Procurement Rules – update as necessary to align with government priorities

21. The Rules govern the way agencies procure goods, services, and works in accordance with good procurement practice.
22. The Rules:
 - promote accountability for the appropriate use of public money;
 - require agencies to get value, this is the primary objective;
 - ensure the system operates with integrity, including transparency, fairness, and competition;
 - reflect New Zealand’s trade obligations; and
 - establish procurement processes that are consistent and predictable, making it easier for agencies and suppliers to engage with each other.
23. The Rules are mandatory for Departments, Ministries, Crown Entities and Public Finance Act Schedule 4A companies (often referred to as “mandated agencies”) – approximately 140 agencies. All other government agencies (including School Boards of Trustees, Universities, State-Owned Enterprises, and local government) are either expected or encouraged to apply the Rules as a matter of good procurement practice.
24. New Zealand’s government procurement system is well regarded internationally, and New Zealand’s Procurement Rules are some of the most flexible of our trade partners and comparable jurisdictions. This has co-benefits for government and business in that they allow for commercial pragmatism and are not overly focussed on compliance. However, the commercial capability, risk appetite and procurement practice of the public sector needs to lift in order to realise more value from them.
25. The current edition of the Rules came into effect in 2019. We are planning to undertake a review of them in 2024 to ensure they remain fit for purpose, reflect modern approaches, and drive good procurement practice. As an example, there has been an increase in use of non-traditional, but competitive and transparent, procurement methods that are realising value and reducing the costs of doing business, which should be reflected in the Rules to give government buyers and business confidence to us them.
26. This review will give you the opportunity to ensure the Rules reflect the government’s priorities for procurement. We will engage with you on the Rules review in March / April 2024.

System improvements

27. There are opportunities to deliver greater efficiencies and reduce bureaucracy and red tape through the procurement system, particularly through digital systems, insights from data, motivating agency collaboration and capability development.
28. We have programmes of work aligned to realise opportunities for system improvement over the medium to long term. Industry leaders have provided input into the development of this system improvement programme, and we engage with them regularly for feedback. Some key initiatives are:

Opportunity 4: Procurement Platform – continue to progress savings and efficiencies from technology and automation

29. The problem: Government is the largest buyer in New Zealand, accounting for more than \$51.5 billion of annual spend, approximately 17% of New Zealand's GDP. Yet, there is no centralised view of this spend. This limits the government's ability to track and measure how well spend with suppliers to deliver public services is performing.
30. The solution: A central end-to-end procurement platform (the Procurement Platform). This is an ambitious but achievable vision that will deliver positive fiscal outcomes, improve transparency, efficiency, and better manage and influence government spend. A high-level overview of its function and benefits is in Annex Two.
31. All funding for this project and ongoing operation is fully set aside and budgeted for from the collection of fees from agencies for use of AoG contracts.
32. The Procurement Platform will be delivered in phases (Phase 1 and Future Phases) and we will provide you with regular updates on our plans, milestones met and realised benefits.

Phase 1 – delivery in 2024

33. Phase 1 of the Procurement Platform will enable NZGP to target initiatives in all-of-government contracts to deliver an additional \$108m per year in cost savings across all user government agencies.
34. Once the Procurement Platform is launched in September 2024, fiscal benefits will be realised incrementally from this date.
35. Phase 1 of the Procurement Platform will provide a single system for AoG contracts (and similar contracts for use by many agencies) that will provide central oversight, monitoring and transparency over all spend that goes through it.
36. The government will have the ability to effectively monitor agency behaviour and drive accountability on any government expectations. For example, monitor the spend on consultants and contractors by individual agencies.

Future phases of the Procurement Platform

37. Phase 1 lays the foundation for further development of the Procurement Platform to gain further transparency across government third-party spend. It will realise even greater fiscal benefits and drive accountability on the investment and spend by all government agencies.

38. Through this improved visibility of spend, NZGP can identify future commercial opportunities to achieve savings and efficiencies as well as better monitor whole of system performance. NZGP will be able to use data and insights to reveal trends and identify more opportunities to lift capability, promote continuous improvement and drive accountability for good procurement practices.

Opportunity 5: Sector leadership – continue to seek efficiencies from sector-based collaboration, starting with supporting the establishment of the National Infrastructure Agency

39. Due to individual agency silos which prevent the government from working together as a smart, unified client of choice, aspects of the current system are not realising their full potential. This can, for example, result in government competing against itself for the same suppliers, spreading market capacity and specialist procurement expertise too thin, and limiting the impact public spending can have on delivery. We have been developing a framework for 'sector leadership' to address these issues, with an initial focus on infrastructure.
40. The Government's 100-day plan includes beginning to establish a National Infrastructure Agency to coordinate government funding, connect investors with New Zealand infrastructure, and improve funding, procurement, and delivery.

41. s 9(2)(f)(iv)

Opportunity 6: Capability development – underpins performance of the procurement system and is ongoing

42. A procurement system that is performing well must have good procurement capability and capacity. Currently there are procurement skill shortages across the New Zealand Government. NZGP has a work programme to raise the capability of individuals and government agencies.
43. This work includes future procurement workforce planning that is responsive and keeps pace with technology and changes to ways of working.
44. The Procurement Graduate Programme is an ongoing initiative that is strengthening the procurement workforce. Since it launched in 2014, there have been 81 graduates.

Funding

45. NZGP's funding comes from two main sources:
- An administration fee charged on the purchases made by government agencies from the AoG contracts, around \$22 million per year; and
 - Crown funding, around \$5 million per year.
46. From this funding, we achieved an eight-fold return on investment by delivering over \$200 million in savings from the AoG contracts in 2022/23 than would otherwise have been achieved. Efficiency gains are realised by managing the contracts centrally to

achieve co-benefits for suppliers and government, including avoiding duplication, and ensuring effective supplier relationship management to drive performance, delivery, and value over the life of the contracts.

Next steps

47. We will coordinate with your office on a suitable time in early 2024 for officials to discuss opportunities for government procurement with you.

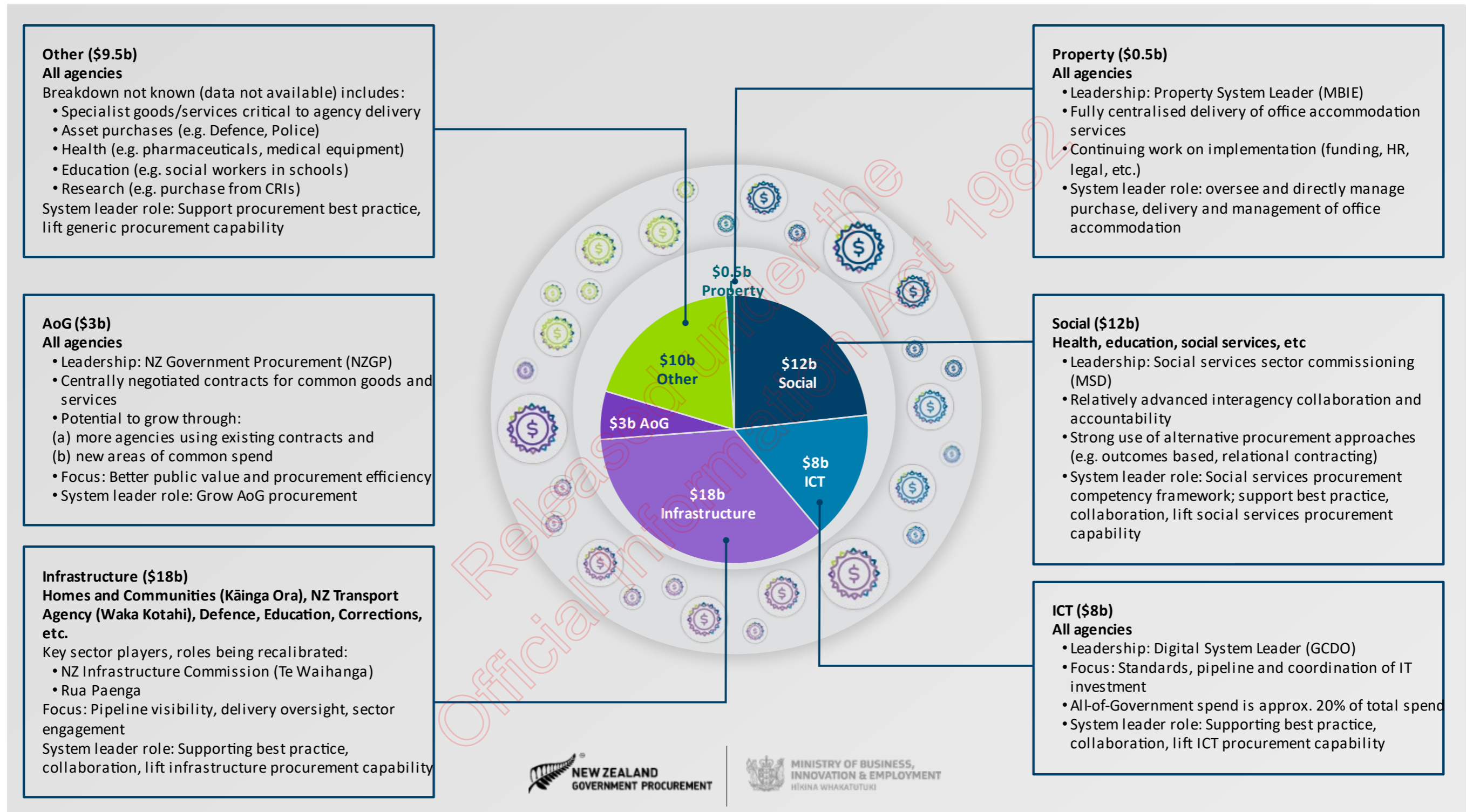
Annexes

Annex One: Government spend profile

Annex Two: Procurement Platform

Released under the
Official Information Act 1982

Annex One: Government spend profile



Annex Two: Procurement Platform

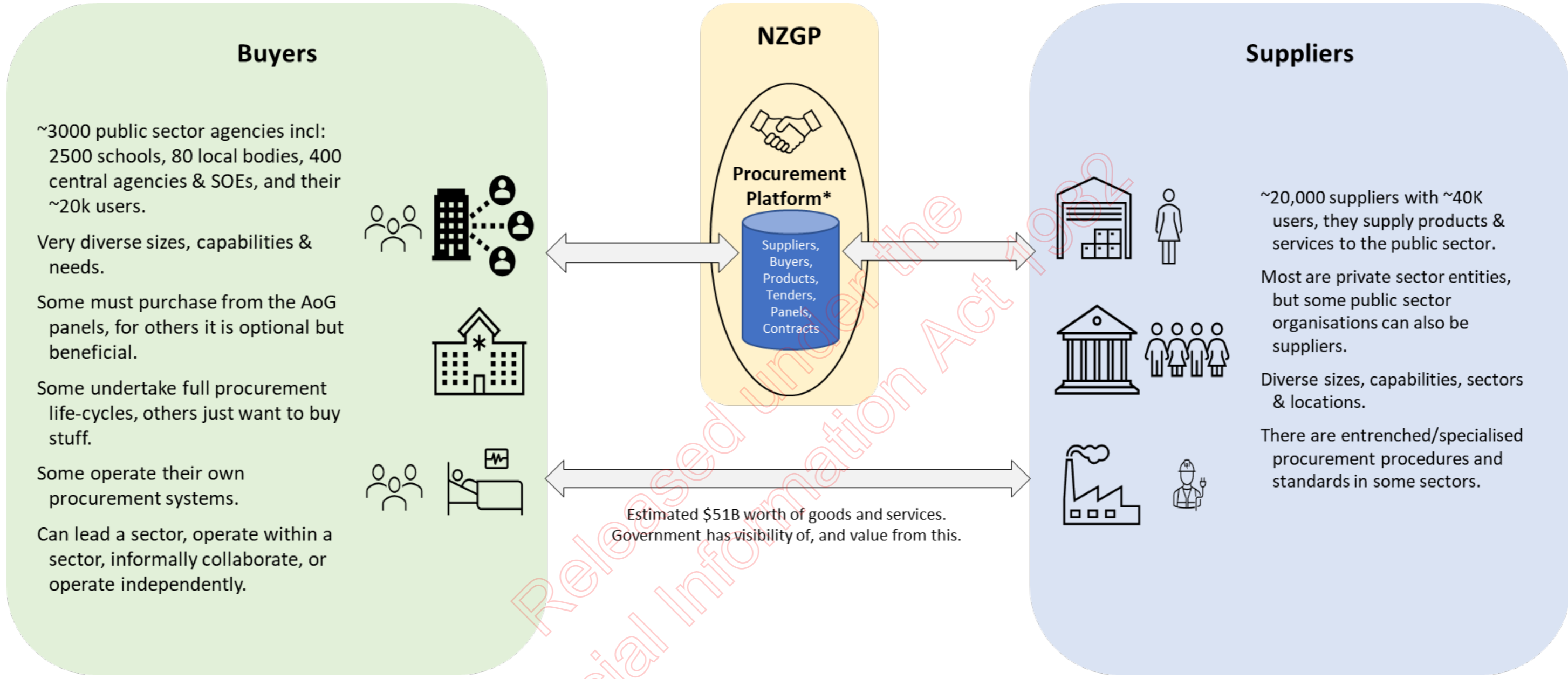


Figure 2: Procurement Platform potential future state

*single sign on to single platform



BRIEFING

New Zealand Government Procurement – All-of-Government contract update

Date:	2 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1769

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Economic Development	<p>Note that NZGP will demonstrate leadership and give effect to the Government's expectation to achieve value for money through the All-of-Government contracts.</p> <p>Note that NZGP officials are returning to market late-February with the Creative and Media Services contract, which will focus on value for money.</p> <p>Agree that NZGP keeps you informed on the All-of-Government contracts and on savings, value for money and efficiencies achieved through them.</p> <p>Note that NZGP is proactively communicating to agencies the Government's expectations of fiscal discipline, responsible spending and achieving value for money.</p>	19 February 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Laurence Pidcock	General Manager, NZGP	s 9(2)(a)	✓
Richard Lee	Head of Strategy, Policy and Governance, NZGP	s 9(2)(a)	-
Tim Sherborne	Head of Collaborative Procurement, NZGP	s 9(2)(a)	-
Fraser Pearce	Principal Policy Advisor, NZGP	s 9(2)(a)	-

The following departments/agencies have been consulted



BRIEFING

New Zealand Government Procurement – All-of-Government contract update

Date:	2 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1769

Purpose

This briefing informs you about the All-of-Government contracts, upcoming Creative and Media Services contract return to market and its focus on value for money to align with government's expectations. New Zealand Government Procurement (NZGP) is also proactively communicating to agencies the Government's expectations of fiscal discipline, responsible spending and achieving value for money.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** that NZGP will demonstrate leadership and give effect to the Government's expectation to achieve value for money through the All-of-Government contracts.

b **Note** that NZGP officials are returning to market late-February with the Creative and Media Services contract, which will focus on value for money.

Noted

c **Agree** that NZGP keeps you informed on the All-of-Government contracts returning to market this year and on savings, value for money and efficiencies achieved through them.

Yes / No

d **Note** that NZGP is proactively communicating to agencies the Government's expectations of fiscal discipline, responsible spending and achieving value for money.

Noted

Laurence Pidcock
**General Manager, New Zealand
Government Procurement, MBIE**

2 / 2 / 2024

Hon Melissa Lee
**Minister for Economic
Development**

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Background

1. The New Zealand public sector spends around \$51.5 billion each year on purchases of goods and services from providers to support the delivery of its activities. Approximately \$3 billion of this spend is through the All-of-Government (AoG) contracts.

Your role in the government procurement system

2. As Minister for Economic Development, you are responsible for government procurement policy settings. New Zealand Government Procurement (NZGP), a branch within MBIE, is responsible for implementing the Government's procurement priorities. This includes developing, negotiating, managing, monitoring and reporting on AoG contracts.

All-of-Government contracts

3. Established under the Government Better Public Services reforms in 2009/10, the AoG contracts achieve cost savings and efficiencies from agencies that purchase through it. Annual savings amounted to over \$200 million in 2022/23.
4. NZGP centrally manages 19 AoG contracts. These cover a range of common goods and services such as recruitment, contractors and consultants, office supplies, electricity, reticulated gas, motor vehicles, air travel, consultancy services, banking, external legal services. **Annex one** (attached) provides further information on the 19 AoG contracts. There are over 1100 government agencies that purchase goods and services through them. Benefits include:
 - saving agencies (and the Government as a whole) money by leveraging our collective purchasing power and avoiding duplication;
 - driving efficiencies for government and suppliers through standardised processes and effective supplier relationship management; and
 - improving service quality for both government and suppliers.

New Creative and Media Services AoG contract

5. We are ready to go to market for the Creative and Media Services (CMS) contract. This contract replaces both the Design Services and Advertising Services AoG contracts. This is because both contracts cover similar and complementary services, and some providers are signed up to both AoG contracts. Making this change simplifies administrative processes and costs to service providers, government agencies and NZGP. It also better reflects the nature of the services purchased by agencies.
6. 173 providers currently use the Design Services and/or Advertising Services contracts, and 206 agencies use the AoG contracts. Agency spend on both AoG contracts is approximately \$57 million each year, s 9(2)(j)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7. We have ensured the CMS tender documentation will communicate the Government's expectation on achieving value for money. Providers will need to publish to agencies the market hourly rate (and the AoG discount) they will charge for services. Providers can also publish other payment methods that agencies can use, including setting fixed costs for outcomes or phased services, subscriptions, and innovative 'partnership' models.
8. These changes will allow agencies to better assess the costs and benefits of different providers. It will also streamline agency efforts to establish bespoke arrangements with providers, should the situation require it.
9. New Zealand has adopted international good practice to consider sustainable procurement and other public benefits, where relevant. These are reflected in the Government Procurement Rules as *Broader Outcomes*. This enables the Government to deliver further public benefits that align to their priorities beyond the immediate good or service being purchased.
10. To increase the value that can be derived from the CMS contract, we are including an objective to improve opportunities for New Zealand businesses to work with government agencies.
11. **Annex two** (attached) sets out the objectives and expected outcomes of the new CMS contract for your information. It also includes information on the Design and Advertising Services contracts, which are expiring in June 2024.

Next steps

Communicating the Government's expectations on fiscal sustainability

12. Procurement is a strong lever for delivering fiscal benefits. To support the Government's fiscal sustainability expectations more broadly, we are communicating that agencies must exercise discipline, responsible spending and achieve value for money when undertaking procurement activity. This includes direct communications to agencies' Chief Procurement Officers and ongoing engagement through our advisory services to agencies.

We intend to go to market in Late February 2024 with the CMS contract

13. The CMS contract is open tender – any provider can submit a proposal to deliver services under the CMS contract. The tender for the CMS contract will close around 25 days after it has been released. The new contract will be in place prior to the two AoG contracts expiring in June 2024.
14. We do not expect your office will receive significant media interest regarding NZGP going to market for the CMS contract. Some interest may be possible as the contract covers advertising services. We can support your office to answer any media queries.

Annexes

Annex one: Summary of All-of-Government contracts managed by NZGP

Annex two: Further information on the Creative Media Services (CMS) All-of-Government contract

Annex one: Summary of All-of-Government contracts managed by NZGP

All-of-Government Contracts		
Contract name	Description	Approximate spend
Advertising services	136 providers offer client services, creative and production, and media services across print, broadcast, digital, out-of-home, and emerging media.	\$49 M
Air travel services	12 air travel services suppliers representing 15 airlines offer agencies both domestic and international flights.	\$189 M
Banking services	<p>A panel of four banking providers covering banking services, foreign exchange services, payment services, and card services. Transactional banking services are also available to non-core agencies.</p> <p>Westpac is the sole government banker under the Public Finance Act appointed to provide transactional banking services to the core Public Service.</p>	\$20 M
Construction consultancy services	Professional services in works or construction, including 11 sub-categories across architecture, engineering, quantity surveying and project management.	\$346 M
Consultancy services	<p>A panel of consultancy providers in 11 sub-categories including accounting, business change and marketing, and public relations.</p> <p>Consultants are covered by this contract, but contractors are covered in the <i>Talent Acquisition Services AoG</i>.</p>	\$484M
Design services	84 providers offering design, strategy, and production, as well as project, account, and relationship management services.	\$8 M
Electricity	<p>Covers the supply of electricity and associated services including:</p> <ul style="list-style-type: none"> • Fixed energy costs over the term of the supply agreed between the selected supplier and agency. • Flexible billing options, consolidated billing, or individual billing for each site. 	\$233 M

	<ul style="list-style-type: none"> Account management and reporting (if needed) from the suppliers. A complaints or performance management process and a timeline for resolution. 	
External legal services	30 providers of legal services in nine areas including banking and finance, employment, and property law.	\$108 M
Facilities management services	Facilities management services providers of a range of management, technical and non-technical services.	\$1 M
IT hardware	Includes a wide range of products such as desktop computers, laptops, monitors, mobile phones, meeting room equipment and associated services.	\$174 M
Media	<p>19 panel suppliers offering discounted advertising rates on television, radio, print, digital, out-of-home, and cinema channels, with the ability to add emerging media.</p> <p>It includes access to sources of added value such as training opportunities and heavily discounted airtime.</p>	\$30 M
Motor vehicles	This panel provides fit-for-purpose, safe vehicles, including electric vehicles (EVs), at the lowest possible total cost of ownership across the life of the vehicle.	\$224 M
Office supplies	Offers agencies stationery, cleaning, hygiene and washroom consumables, ICT consumables, educational supplies, health and safety products, and milk and milk alternatives.	\$67 M
Print technology and associated services	Suppliers provide print equipment, print-related software, sector specific products like 3D printers, wide and large format printers, and scanners; and related consultancy and provider-enabled services, and maintenance and servicing.	\$50 M
Rental vehicles	<p>The AoG Rental vehicles contract includes general rentals, light commercial rentals and less-than-one-day rentals.</p> <p>The AoG supports the removal or reduction of fees for airport-pick up, one-way hire, and delivery.</p>	\$14 M

Reticulated gas	<p>This contract facilitates the supply of reticulated gas to participating agencies at a competitive market-aligned gas rate. Reticulated natural gas is distributed via pipelines in the North Island only.</p>	\$46 M
Risk financing and insurance	<p>Suppliers offer insurance management, advisory and broking services across 13 subcategories, ranging from motor vehicle and international travel to personal accidents.</p> <p>This AoG supports competitive tension in the industry, resulting in access to market-leading commercial terms and conditions. It also supports developing risk management maturity across government.</p>	\$170 M
Talent acquisition services	<p>Offers agencies specialist recruitment services from a panel of providers including for permanent, temporary, and contractor placement type roles in common administration and corporate, and common IT job families.</p> <p>There is flexibility to negotiate prices directly with providers if required and an annual cap on provider fees.</p>	\$224 M
Travel management services	<p>Covers five nationwide travel management providers with services designed to meet participating agencies' business travel requirements.</p> <p>It also includes a range of reporting options to help analyse travel spend, and cost-reduction expertise to help reduce travel spend over time.</p>	\$369 M

Annex two: Further information on the Creative Media Services (CMS) All-of-Government contract

1. Government represents the largest industry contributing to advertising spend in New Zealand (Standard Media Index, 2022). The lifetime spend across both the Advertising and Design services contracts is over \$950m. The number of participating agencies and spend is increasing year on year. Spend on advertising service providers has increased by over 80 percent in the last five years.
2. With fiscal responsibility, we expect that government spend on advertising services will decrease. The contract will provide savings and efficiencies for when spend on services is required.
3. The table below sets out the draft objectives and anticipated outcomes for the CMS contract.

CMS objectives	Anticipated outcomes
Improve commercial value	<ul style="list-style-type: none"> • The solution promotes creative and media services through a streamlined scope of services, meeting government agency needs. • Improved commercial and pricing model to make savings through a one-stop solution for government agencies. • Improved competition through changes to panel structure and sharing provider performance. • Simpler user experience for government agencies to identify scope and engage providers, including improvements to the service order. • The solution enables consistency, efficiency, and transparency.
Improve category performance	<ul style="list-style-type: none"> • Improved access to provider performance and relative pricing comparison to better inform government agency buying decisions. • Pro-active support by NZGP to government agencies on addressing secondary procurement needs including detailed guidance and advice.
Targeted supplier management	<ul style="list-style-type: none"> • The solution improves clarity on how intellectual and cultural IP will be managed between providers and government agencies. • The panel is more inclusive for New Zealand providers. • The solution considers reducing carbon and waste emission throughout the delivery of the services. • Providers are aligned and delivering to the requirements of NZGP's Supplier Code of Conduct.