

# 11.0 Performance measurement and monitoring

## 11.1 Overview

### Introduction

This chapter sets out the information the Transport Agency will collect from approved organisations to assess whether the procurement procedures are enabling approved organisations to obtain the best value for money spent. The information will also help the Transport Agency to assess the impact of the procurement procedures on the supplier market, including fairness, competition and efficiency considerations.

The requirements relating to assessing the effectiveness of public transport services are also covered in this chapter.

The Transport Agency expects approved organisations to establish their own performance measurement and monitoring frameworks. This chapter sets out guidelines for what should be contained in those frameworks.

### In this chapter

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## 11.2 Performance measurement and monitoring framework

### Introduction

Approved organisations will already have considerable experience in developing performance measurement and monitoring systems because of the requirements in the Local Government Act 2002 and via the development of plans like LTPs. This chapter draws on the skills and experience derived from other local authority functions and applies them to procurement.

The Transport Agency is responsible to government for ensuring that the approved procurement procedures are designed to obtain the best value for money spent, keeping in mind the desirability of fair competition and competitive and efficient markets.

A primary objective of the performance measurement and monitoring framework is to improve decision making and facilitate continuous improvement in procurement practice and policy. The Transport Agency will use the information it collects to monitor how well the framework is working and to identify best practice and the areas that can be improved, and it will share its findings with approved organisations.

The performance measurement and monitoring system will evolve over time. Initially, the focus is on a few indicators that reflect the Transport Agency's key priorities, which are based on the requirements of s25 of the LTMA.

### Purpose

The measurement and monitoring framework has three purposes:

1. Provide evidence of how well the approved procurement procedures are meeting the requirements of s25:
  - obtaining the best value for money spent
  - enabling fair competition
  - encouraging competitive and efficient markets.
2. Improve decision making and facilitate continuous improvement in procurement practice and procurement policy.
3. Determine how well the procurement procedures are being followed.

The data collected by the Transport Agency is quantitative and qualitative in nature and it will continue to include the information on outcomes and outputs already provided by approved organisations, such as safety measures and cost per kilometre for road works.

The aim of collecting, analysing and evaluating the data is to allow the Transport Agency to measure the performance of the procurement procedures against the requirements of the LTMA.

The measurement and monitoring framework is not an accountability or 'policing' framework, although there is a compliance component in the form of regular audit undertaken by the Transport Agency. This audit function is discussed in more detail in section 11.5 *Audit and compliance*.

## 11.2 Performance measurement and monitoring framework

continued

### Benefits of monitoring and measuring

The performance measurement and monitoring framework is used to:

- provide evidence of value for money in procurement
- provide measures other than price to support procurement decisions
- monitor the competitiveness of the supplier markets
- benchmark and monitor the effectiveness of procurement across the sector
- bring continuous improvement through:
  - improving capability and capacity in approved organisations
  - providing a health check as part of a continuous improvement programme
  - aiding improvement in the efficiency and effectiveness of procurement procedure design and deployment
  - sharing best practice information (as well as information about what does not work well) across the sector
  - identifying champions across approved organisations and the Transport Agency who can be contacted to assist with procurement advice.

### Limitations

The focus of the measurement and monitoring framework is confined to the procurement component of the value for money equation, except in the case of public transport service performance measures which also cover effectiveness measures. The wider assessment of value for money against activity selection and funding approval is not part of this framework, but belongs to the Transport Agency's wider monitoring and reporting requirements.

This framework seeks to identify and measure what variation, if any, there is between the base estimated costs and benefits (value) established at the time of funding approval and the actual costs and benefits of the activity (or activities), and whether any of that variation can be attributed to the procurement process.

External factors outside the control of an approved organisation may also contribute to any variations. Caution needs to be taken when analysing and evaluating data to make sure that, as far as possible, the framework measures the impact of the selected procurement procedure itself on obtaining the best value for money spent.

The ability to assess and analyse the information will develop over time.

The scope of the framework includes:

- decisions made in the procurement process (eg choice of supplier selection method and why)
- assessments of the value for money spent in the procurement process (time, cost and quality)
- fairness of the procurement process and market competition and efficiency
- efficiency of the procedures in terms of cost to the approved organisation of its procurement function and cost to the supply market through participating in the process
- audit.

## 11.2 Performance measurement and monitoring framework

continued

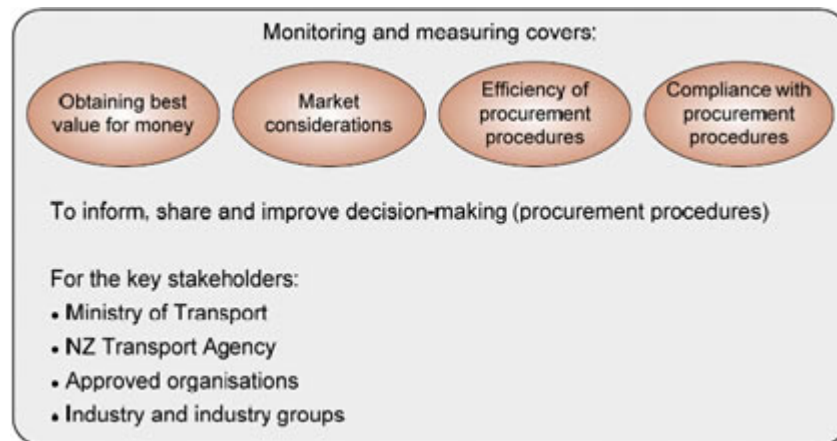
### Limitations

continued

The scope excludes:

- indicators to aid contract management – this is the responsibility of approved organisations
- evaluation of activity selection (ie did we buy the right thing in the first place).

The diagram below highlights the main components of the monitoring framework.



## 11.3 Information to be provided

### Introduction

The information to be collected from approved organisations is both quantitative and qualitative in nature and it focuses on:

- value for money – time, cost and quality
- supplier markets – fairness and competition, and innovation
- efficiency of procurement procedures.

In addition, in the case of public transport services the information will also be used to assess their effectiveness.

Much of the information to be provided is on a contract basis for every contract over the level of direct appointment (see section 10.9 *Direct appointment and closed contest for low dollar value contracts*). Other information will be required on an annual or aggregated basis. Key indicators are discussed in more detail below.

The Transport Agency will continue to collect and review information and documentation during its audit process.

### Generic procurement information

The Transport Agency will require approved organisations to provide generic procurement data on contracts let, including:

- activity class/work category
- delivery model selected
- supplier selection method chosen
- preferred supplier.

Appendix E *Data collection checklist* contains a checklist to assist approved organisations collect and document the procurement data required by the Transport Agency.

### Value for money

While activity selection is the primary driver for an approved organisation to obtain best value for money spent, procurement has a significant role to play. The purpose of procurement is to:

- preserve the value for money obtained by ensuring that the expected value is delivered and the expected budget is not exceeded
- where possible, improve the value for money obtained by enabling the procurement process to identify a solution with more value, or at a lower whole-of-life cost than anticipated in the initial value for money calculation.

The information required by the Transport Agency focuses on any variations between estimated and actual value for money in terms of time, cost and quality – these are the three main attributes by which value for money in procurement is measured:

- time - estimated duration of contract and actual duration of contract
- cost - estimated cost of contract and actual cost of contract
- quality - approved organisation's satisfaction with the goods or services purchased.

## 11.3 Information to be provided continued

### Introduction continued

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#### Regard to markets

Initially, the quantitative data collected will concentrate on three attributes of the market:

- fairness – whether or not the supplier selection process was an open or a closed contest and the reasons for this decision
- competitiveness – the number of bids received and whether alternative bids were permitted or received
- innovation – whether alternative bids that add value for money were permitted; whether alternative bids were received and accepted or rejected; what added value alternative bids brought and their associated cost.

Any complaints lodged with the Transport Agency will continue to be used as a further indicator of fairness and market conditions.

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#### Efficiency and effectiveness

This area of monitoring aims to measure whether the procurement procedures are cost effective and simple to use. This will be broadly measured by comparing the overall cost of an approved organisation's procurement function with the total cost of contracts let.

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## 11.4 Audit and compliance

### Introduction

One of the Transport Agency's functions is to audit the performance of approved organisations in relation to the activities approved by the Transport Agency. While audit has a broader role, this section focuses solely on its relevance to procurement. An important part of any audit is the review of documentation, in this case clear documentation of procurement decisions. The Transport Agency expects approved organisations to record data and decisions accurately, including data required by this manual, as well as regular business and contract information that should be recorded as a matter of good practice.

### Audit types

The following audits may take place.

Type of audit	Type of contract	Procurement focus
Technical review	Maintenance	To identify the approved organisation's procurement choices and any associated measurable or perceived impact on delivery.
Post-implementation review	All excluding maintenance	To identify the approved organisation's procurement choices and any associated measurable or perceived impact. To identify that the benefits assessed at the time funds were allocated were obtained or enhanced through the procurement of the activity.
Procedural	All	To identify if the approved organisation has a procurement strategy and has applied it. To identify if the approved organisation has relevant procurement procedures in place and has complied with this manual. To identify if the approved organisation has appropriate measuring and monitoring mechanisms in place. To ensure that approved organisations supply reliable contract data to the Transport Agency.
Themed audits	All, across approved organisations	To review procurement's role in achieving objectives in an efficient and effective manner. To assess the relative merits of the different supplier selection methods and procurement choices when adopted for the same class of activity. To identify how the approved organisation ensures that it has sufficient capability to deliver on its procurement strategy and objectives.

Approved organisations are subject to procedural audits and technical reviews, although themed audits will become increasingly important.

Appendix F *Procedural audits checklist* has a checklist of the areas that will be reviewed at the time of an audit. Approved organisations should ensure that, as a minimum, they have documentation for the areas contained within the checklist.

## 11.5 Role of approved organisations

### Introduction

As noted above, approved organisations already have considerable experience developing performance measurement and monitoring systems. The Transport Agency does not prescribe how an approved organisation should monitor its own activities and it does not oversee individual contracts. However, the Transport Agency expects that each approved organisation will establish and maintain its own procurement performance measurement and monitoring framework. At a minimum, each approved organisation must ensure that it has sufficient systems and processes in place to enable it to provide the data that the Transport Agency requires.

Each approved organisation must consider the following processes when developing a performance measurement and monitoring system:

- Clearly define what must be measured and monitored.
- Ensure the right information is collected.
- Aggregate and analyse the information.
- Evaluate the information – are all the impacts attributable to procurement, or are other factors at work?
- Act on the findings – amend policies or practices.

### What should be included

The monitoring and measuring framework should include:

- monitoring of individual contracts
- market data
- performance against individual strategic objectives
- conditions of funding and audit requirements.

Monitoring of contracts should be appropriate to the work being undertaken and judgement will be needed to decide what is required. At a minimum, it should include:

- relevant documentation, including evidence of procurement decisions and their rationale (eg what particular supplier selection method or delivery model was selected and why)
- identification of key procurement risks and how they are monitored and managed throughout the life of the contract
- performance of the contract against original expectations throughout its life to ensure value is maintained or improved (in terms of output and any other evaluation criteria when selecting a supplier).

Details required by the Transport Agency are set out in appendix F *Procedural audits checklist*.

The Transport Agency expects approved organisations to collect and analyse relevant market data in order to fully understand the supplier markets they work within. This may include identifying gaps in supply, understanding supplier capabilities, whether there are any potential suppliers, and what effect the procurement activity of other organisations may have on the supplier market.



## 11.5 Role of approved organisations continued

### What should be included continued

Approved organisations should evaluate their performance in terms of their own strategic objectives. Potential areas for monitoring and measuring include:

- objectives in the approved organisation's procurement strategy (for example, if the procurement strategy includes the goal 'to enhance competition in the professional services market in x locality', the monitoring framework could include an indicator that considers the number of suppliers in the professional services market in that locality. This number should be reviewed when assessing the performance against the strategy. Analysis should take place to understand the impact of procurement processes on this outcome and then appropriate actions taken).
- objectives set out in the LTP and other relevant plans.

For the purpose of this section, measuring and monitoring should be restricted to those areas where procurement can have an impact. See the discussion on 'limitations' in section 11.2 *Performance measurement and monitoring framework*.

### Benefits

Developing a procurement performance measurement and monitoring framework will allow approved organisations to realise the following benefits:

- improved understanding of procurement, including efficiency and effectiveness
- improved relationships with suppliers through increased knowledge of markets and performance
- better performance from contracts - monitoring timely delivery and cost performance, as well as risks and the ability to use performance-based incentives
- measuring performance and the appropriateness of certain procedures in certain situations.

### Resources

A number of resources can provide guidance on developing measurement and monitoring frameworks. The following is a selection:

- The OAG (2006) paper *Achieving public sector outcomes with private sector partners* contains information on good contract management.
- The OAG (2008) paper *Procurement guidance for public entities* replaced the good practice guide *Procurement: a statement of good practice* (2001).
- The UK organisation Constructing Excellence – [www.KPIzone.com](http://www.KPIzone.com) – has advice and best practice on developing indicators.
- The Centre for Advanced Engineering at Canterbury University – [www.caenz.com](http://www.caenz.com) – also has advice and best practice on developing indicators.

## 11.6 Role of the NZ Transport Agency

<b>Introduction</b>	<p>One of the Transport Agency's roles is to assist and advise approved organisations. Through its collection, analysis and evaluation of data, the Transport Agency is able to identify best practice and share its findings with the sector.</p>
<b>Analysis</b>	<p>The collection and analysis of data over time will enable the Transport Agency to identify the effect that particular procurement decisions have on value for money and the broad requirements of s25 of the LTMA. For example, it may be that over time particular supplier selection methods or delivery models demonstrate better value for money than others in relation to particular types of activity. Where this appears to consistently be the case, it will be shared with the sector and inform any amendments to this manual as appropriate.</p> <p>The data gathered will also facilitate benchmarking across different categories of activities and procurement procedures or against external benchmarks, such as the Centre for Advanced Engineering key performance indicators, or data from relevant international bodies. Benchmarking and trend analysis can take place at various levels, including but not limited to:</p> <ul style="list-style-type: none"> <li>• individual approved organisations</li> <li>• regions</li> <li>• activity types</li> <li>• delivery models</li> <li>• supplier selection methods.</li> </ul> <p>Attributing effects or outcomes to procurement is not always clear or simple. For example, an indicator from a particular project that sits above or below a particular benchmark does not necessarily indicate that incorrect procedures were used. Rather, such information can prompt further investigation about what happened and whether or not anything could or should have been done differently. In this regard, quantitative data will not be looked at in isolation, but will be informed by qualitative data such as audits or surveys.</p>
<b>Advice</b>	<p>A key purpose of gathering and analysing selected data is to identify what is working well and to share it with approved organisations. It will facilitate evidence-based solutions to procurement issues, inform changes to this manual, provide relevant and consistent information for approved organisations and begin to make visible and available much that is currently informal or held only as institutional knowledge.</p>
<b>Feedback and reporting</b>	<p>The Transport Agency will share its findings in a variety of forms and with different audiences. In addition, current reports such as regional summaries and briefing notes will contain a focus on procurement.</p>

## 11.7 Public transport service key performance measures

### Introduction

This section is wider in scope than the rest of chapter 11. It covers the performance measures the Transport Agency will use to monitor the effectiveness of public transport service delivery at a public transport unit and region level, as well as assess whether procurement procedures are obtaining value for money.

Approved organisations are expected to be able collect this information and provide it to the Transport Agency in the manner specified.

The information requirements are a mix of general performance measures (for example patronage growth) and contract performance measures (for example service trip reliability).

General performance measures may be included in public transport service contracts if an approved organisation is reliant on a supplier of a public transport service to collect this information on its behalf. However, this is not a requirement if an approved organisation has another mechanism for collecting such information. For example, approved organisations with integrated ticketing will receive patronage and revenue information directly and therefore do not need to include this in a public transport service contract if the approved organisation does not consider it necessary.

Contract performance measures must be included in all partnering contracts as part of the required performance and monitoring provisions for partnering contracts. Approved organisations should also consider including them in public transport service contracts procured using the staged delivery model.

When considering what is required under this section, approved organisations should also make use of:

- Appendix E – *Data collection checklist* which also includes data that does not need to be provided to the Transport Agency on a regular basis but may be requested
- Appendix K – *Measuring public transport customer satisfaction*
- Appendix L – *Public transport data definitions*.

### General performance measures

Approved organisations must collect the following information and provide it to the Transport Agency at the frequencies specified.

The information will principally be used to assess overall public transport effectiveness at a national, regional and public transport unit level. Performance measure (4) has been specifically included to inform monitoring of procurement outcomes.

## 11.7 Public transport service key performance measures continued

### General performance measures continued

	Attribute	Key performance measure	Parameters
<b>Transactional data requiring a monthly breakdown by unit (can be reported either monthly or quarterly).</b>			
1	Patronage	Number of passenger boardings per service trip operated	Disaggregated by: <ul style="list-style-type: none"> <li>mode (bus, ferry, train)</li> <li>passenger type (adult, SuperGold, [child concession where applicable])</li> <li>time period (peak, off-peak)</li> <li>service level breakdown (unit, sub-region, region).</li> </ul>
		Average trip length	Disaggregated by route/unit (to allow calculation of passenger kilometres at unit and regional levels for each mode)
2	Revenue	Fare box revenue	(Note: Monthly fare box revenue should be reconciled with monthly patronage reports by unit)
3	Fleet information		(Note: Fleet information should include: <ul style="list-style-type: none"> <li>fleet size (bus and ferry)</li> <li>percentage of bus fleet compliant with requirements for urban buses in New Zealand (RUB)</li> <li>average age of the bus fleet (number of Euro 3 or higher buses).</li> </ul>
<b>Procurement outcomes (to be reported annually)</b>			
4	Tenders	Average number of qualifying bids per tender	<ul style="list-style-type: none"> <li>The average number of qualifying bids, including bids with one tender</li> </ul>
		Percentage of tenders with only one qualifying bid	<ul style="list-style-type: none"> <li>Percentage of tenders with only one qualifying bid</li> </ul>
		Final agreed price with successful tenderer	<ul style="list-style-type: none"> <li>The final price agreed between the approved organisation and the successful supplier of services within a public transport unit.</li> </ul>

## 11.7 Public transport service key performance measures continued

### **Contract performance measure requirements to be included in partnering contracts**

All partnering contracts are expected to contain a performance monitoring agreement to support the delivery of quality public transport services. Performance measures provide a mechanism for:

- identifying ‘what matters’ (for instance what is critical to encourage people to use public transport services)
- measuring progress toward desired objectives ( for instance, national public transport objectives or regional public transport objectives)
- good contract management including assessing what is impacting on performance and forward planning through the annual business planning process.

In developing a performance monitoring agreement approved organisations should give consideration to:

- relevance of performance measure to providing a quality public transport service
- availability and reliability of data required to measure performance
- ease and cost of collecting data required to measure performance
- how external factors that can impact on performance, but cannot be controlled, will be accounted for in assessing performance
- reciprocal performance measures on the approved organisation that is critical to good contract performance (for instance, service trip times should be feasible to meet under average conditions for the service).

The Transport Agency has identified a set of performance measures that it considers critical to measuring public transport effectiveness and support assessment of procurement outcomes. At a minimum, performance monitoring agreements will include the following performance measures. This information needs to be supplied to the Transport Agency at the frequency specified in the following table.

## 11.7 Public transport service key performance measures continued

**Contract performance measure requirements to be included in partnering contracts**  
continued

	Attribute	Key performance measure	Parameters
<b>Performance data to be reported quarterly by unit</b>			
1	Service performance (service reliability and punctuality)	Service trip reliability (bus, ferry and train)	Disaggregated by peak and off-peak Percentage of scheduled service trips completed in full. (Note that a service trip leaving the origin stop >59 seconds early or >9 minutes and 59 seconds late is deemed not to have operated)
		Cancelled service trips (bus, ferry, train)	Disaggregated by peak and off-peak Percentage of timetabled service trips that were cancelled
		Service trip punctuality: a trip start b at destination (or en route if required) (bus, ferry, train)	Disaggregated by peak and off-peak a Percentage of scheduled service trips leaving origin stop between 59 seconds before and four minutes and 59 seconds after the scheduled departure time. b Percentage of scheduled service trips between 59 seconds before and four minutes and 59 seconds after the scheduled departure time at the selected points.
<b>Performance data to be reported annually</b>			
2	Safety and security	Number of incidents	The maintenance of an up-to-date incident register, disaggregated by: Nature (eg criminal, anti-social) Severity (eg resulting in serious injury, nuisance) (Note: Including the requirements of the health and safety sections of the Health and Safety in Employment Act 1992 and the Operator Rating System)
3	Complaints	Number of complaints received	Disaggregated by service attributes (eg punctuality, vehicle cleanliness, comfort)
		Percentage of complaints responded to within 10 working days	
<b>Performance data to be reported at least once every three years</b>			
4	Customer satisfaction	Customer satisfaction with the quality of PT services	<ul style="list-style-type: none"> <li>Appendix K <i>Measuring public transport customer satisfaction</i> contains a customer satisfaction survey that approved organisations must use when undertaking a survey of customer satisfaction to ensure results are comparable across operators, mode and regions.</li> </ul>