

# Evaluation of the effectiveness of the NZ Transport Agency's procurement policy

Full report: [www.nzta.govt.nz/resources/research/reports/591](http://www.nzta.govt.nz/resources/research/reports/591)

## Evaluating and recommending approaches for procurement success

**The Transport Agency commissioned an independent evaluation of its procurement policy framework, with a view to strengthening its value-for-money procurement practices.**

Completed by Wellington-based policy and regulatory specialists, Allen and Clarke, the formative evaluation looked at the effectiveness of the Transport Agency's current procurement policy and practice, and how this was implemented by four road controlling authorities (RCAs) when procuring physical works and professional services. It also gathered evidence about best-practice value-for-money procurement policy and practice.

The aim of the evaluation report was to inform the Transport Agency's ongoing review of its policy framework, and support the development of improved procurement procedures and guidelines for the sector.

### The evaluation at a glance

Three main evaluation questions were explored in the course of the research.

- What are the key factors that enable best value for money in transport procurement policy and implementation, both internationally and in New Zealand?
- How effective is the Transport Agency's current procurement framework for delivering strategy-led, long-term and value-for-money procurement outcomes?
- How effectively are the RCAs implementing the Transport Agency's current procurement policy?

With respect to the first research question, a national and international literature review highlighted numerous factors that were key to achieving value for money and best practice procurement approaches. These included:

- governance and leadership
- strategic planning
- workforce capability and capacity

- systematic and collaborative processes or gateways
- review, analysis and measurement
- competition, sustainable markets and shared risk
- value for money measured over the whole life of an asset, and incorporating both costs and benefits.

The report concluded that in the context of New Zealand's devolved procurement approach (with RCAs having responsibility for the detailed design of their procurement procedures) these good practice procurement approaches became even more important.

The governance the Transport Agency provided for RCAs with respect to procurement was most effective in supporting leadership, a customer and market focus, and a value-for-money results focus. It was less effective in strategic planning, workforce development, process management, and measurement and analysis. Likewise, the RCAs' implementation of procurement policy was more effective in relation to leadership, workforce development, and maintaining a customer and market focus, and less effective in relation to process management and value for money.

The seven key factors identified in the first stage of the research were then used for developing an evaluation framework for investigating the second and third research questions.

With respect to the second research question – as to the effectiveness of the Transport Agency's current procurement framework – the research made the findings in the following table.

### Evaluation findings and conclusions (key question 2)

Effectiveness findings on the Transport Agency's policy governance
<b>Leadership</b> – The <i>Procurement manual</i> content is robust and aligned, allows innovation and flexibility, and the Transport Agency is modelling good policy practice. The format of the manual could be improved to be more user friendly.
<b>Strategic planning</b> – The <i>Procurement manual</i> links well to the Transport Agency corporate policy outcomes. However, significant improvements are needed to guide RCAs' development of procurement strategies, which also need to be better monitored, reviewed and current for accountability and transparency.
<b>Workforce focus</b> – The procurement efficacy of the <i>Procurement manual</i> and achievement of VFM outcomes relies heavily on the skills and expertise of those applying the <i>Procurement manual</i> . The Transport Agency has not set or monitored national standards of capability and capacity from the RCA workforce to manage procurement relating to the national road spend portfolio. RCAs need more support to benchmark and plan for staff procurement guidance and training.

Effectiveness findings on the Transport Agency's policy governance
<b>Customer and market focus</b> – The Highways and Network Operations group effectively profiles market opportunities by scale complexity, and monitors impacts of the network outcomes contract approach on the national supplier market. RCAs require system information on markets to inform a strategic and national approach and requested the Transport Agency facilitate more information sharing between RCAs on collaborative and innovate supplier relationships.
<b>Process management</b> – The Transport Agency, and Highways and Network Operations group model systematic and effective procurement processes, yet there is significant scope for better support for RCAs to develop improved procurement management processes. <i>Procurement manual</i> process reporting and review processes are not necessarily being driven by the Transport Agency or undertaken by RCAs.
<b>Measurement and analysis</b> – There is insufficient review of the operation of national roading procurement by the Transport Agency on RCA policy compliance and results including procurement capacity and capability, costs, and targets and metrics to monitor strategic goals such as VFM results. This gap limits the Transport Agency's understanding of policy outcomes for learning and accountability.
<b>VFM results focus</b> – Since 2009, the procurement policy framework has delivered well-designed approaches and resource use to allow RCAs to target the long-term, whole-of-life value of the road network. There is unmet potential for RCA innovation, and improved guidance from the Transport Agency on results focus and ownership, sharing lessons learned and disseminating stories of innovation and good outcomes would add value.

With respect to the third research question – as to the effectiveness of RCAs' implementation of procurement policy – the research made the findings in the following table.

### Evaluation findings and conclusions (key question 3)

Effectiveness findings on RCA policy implementation
<b>Leadership</b> – Some RCAs highlight leadership support for procurement to realise business priorities, yet this could be strengthened. RCAs are adhering to national procurement policy but could more consistently align corporate organisational strategies, procurement strategies and roading procurement plans.
<b>Strategic planning</b> – Some RCAs' roading procurement strategies successfully aligned local needs with Transport Agency policy outcomes. The RCA procurement strategies assessed could be enhanced by national market analysis, clear definitions of procurement outcomes, and situational risk analyses and mitigation.
<b>Workforce focus</b> – RCAs' procurement policies generally define standards of workforces' capability and capacity needs to manage spend portfolios, although most do not clearly articulate a framework for the provision of procurement guidance, training and support. RCAs consider the Transport Agency's procurement support adequate; however, increased resourcing or support would be beneficial.
<b>Customer and market focus</b> – RCAs have strong regional and local market focuses that encourage competition and sustainability; however, greater consideration of national markets and local impact is possible. RCAs' procurement processes are generally effective at identifying future projects based on scale and complexity, and the majority of RCAs are effectively managing supplier relationships, although not consistently collaborating in an innovative manner.
<b>Process management</b> – RCAs' procurement procedures support procurement as an end-to-end cycle, with more emphasis placed on scoping and front-end processes to the detriment of management, monitoring and review phases of the cycle. RCAs could provide more transparent rules and process parameters.
<b>Measurement and analysis</b> – RCAs are inconsistent in reviewing local roading procurement, capacity and capability. While 'control systems' were 'fit for purpose', compliance and costs monitoring, review of procurement strategy impact on market development and strategy adjustment could be improved.
<b>VFM results focus</b> – RCAs are making some headway in achieving VFM roading outcomes for end users, but greater emphasis on social and environmental dimensions, whole of life outcomes and efficient resource use could increase VFM results. Dissemination of innovation and good procurement outcomes could be enhanced.

### Recommendations from the evaluation

From the evaluation findings, the Allen and Clarke team was able to make several key recommendations for steps to strengthen procurement policy and practice. These included recommendations for both the Transport Agency and transport sector, under the following themes.

- Strengthen the alignment between, and access to, the Transport Agency's procurement policy framework and the Ministry of Business Innovation and Employment's procurement principles, resources and training, to ensure maximum consistency.

- Revise and reformat the NZ Transport Agency's Procurement manual to enhance its usability and impact. This includes recommendations on both the format and strategic content of the manual.
- Increase support for developing and reviewing RCAs' procurement strategies.
- Extend procurement training and develop an industry workforce development strategy, as a matter of priority.

- Drive systems and processes for innovative value-for-money results.
- Increase monitoring of national supplier markets with a focus on local roading.
- Develop and apply outcomes measurement and reporting processes.
- Conduct further research to build a profile of RCA procurement practices nationally.

The research report contains more detail on each of the recommendations.