



Minute of Decision

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Government Procurement Functional Leadership

Portfolios: Economic Development / State Services

On 1 October 2012, following reference from the Cabinet Committee on State Sector Reform and Expenditure Control, Cabinet:

- 1 **noted** that the two key principles that underpin the Procurement Functional Leadership (PFL) mandate are:
 - 1.1 individual Chief Executives remain accountable for their agency's performance in procurement;
 - 1.2 functional leadership does not mean centralisation of procurement activities, rather it means 'centre led activities' through greater collaboration;
- 2 **directed** the State Services Commissioner, acting as Head of State Services, to support and assist the work of the PFL by communicating government expectations to agencies in the State services, supporting the PFL in engaging the wider State sector, supporting the PFL in engaging with Ministers on significant agency-level issues, and where necessary taking a hands on role in helping resolve issues that arise in the interaction of PFL and agencies;
- 3 **noted** that a range of actions have been developed to:
 - 3.1 increase Performance, Add Value and Maximise Results (attached as Appendix 2 to this minute);
 - 3.2 create an Environment for New Zealand Businesses to Succeed (attached as Appendix 3 to this minute);
 - 3.3 unlock Cost Savings (attached as Appendix 4 to this minute);
- 4 **noted** that the Ministry of Business, Innovation, and Employment (MBIE) as PFL will implement the actions as appropriate as detailed in Appendices 2, 3 and 4 (attached to this minute) to continue procurement reform;
- 5 **agreed** that independent capability reviews should be undertaken for all the agencies detailed in Appendix 1 (attached to this minute);
- 6 **noted** that there is a shortage of commercial procurers in New Zealand and this is impeding agencies in delivering results and value;

- 7 **noted** that MBIE will establish a deployable commercial pool of capable and experienced commercial experts to provide State services agencies with high quality, sound commercial advice on a user pays basis;
- 8 **noted** that the Minister of Economic Development and the Minister of State Services will release the paper under SEC (12) 90 and this minute, along with those relating to the functional leadership of ICT and property [CAB Min (12) 35/4B and CAB Min (12) 35/4C], in consultation with the State Sector Reform Ministerial Group;
- 9 **directed** the functional leader for procurement to provide a quarterly progress report tracking benefits realisation to State Sector Reform Ministerial Group, with the first report in March 2013;
- 10 **agreed** to increase expenditure to provide for costs associated with procurement functional leadership, with the following impact on the operating balance:

Vote Economic Development	\$m – increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2015/16& Outyears
Operating Balance Impact	1.900	1.700	1.700	1.700	1.700
No Impact	0.400	5.900	5.900	5.900	5.900
Total	2.300	7.600	7.600	7.600	7.600

- 11 **approved** the following changes to appropriations to provide for fund procurement functional leadership:

Vote Economic Development Minister for Economic Development	\$m – increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2015/16& Outyears
Departmental Output Expense: Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development (funded by revenue Crown)	1.900	1.700	1.700	1.700	1.700
Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development (funded by revenue other)	0.400	5.900	5.900	5.900	5.900
Total Operating	2.300	7.600	7.600	7.600	7.600

- 12 **agreed** that the changes to appropriations for 2012/13 above be included in the 2012/13 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Secretary of the Cabinet

Reference: CAB (12) 541; SEC Min (12) 18/11

Secretary's Note: This minute supersedes SEC Min (12) 18/11. A Cabinet minute has been issued for this item for the information of all Ministers and Chief Executives.
