



Calculating savings from All-of-Government contracts in New Zealand



Public Procurement Principle: **Evaluation**



Procurement Stage: **Post-award**



Audience: **Policy maker, Procuring entity**

Description

All of Government (AoG) contracts exploit the collective purchasing power of the New Zealand government by establishing single supply agreements for the supply of selected common goods and services. Before initiating a tender, the feasibility and benefits that can be derived from any AoG contract are investigated by New Zealand's central purchasing body, New Zealand Government Procurement (NZGP).

Savings from AoG contracts are reported to the cabinet, along with a rolling forecast of expected savings from existing and emerging AoG contracts. The basis for the savings methodology is the calculation of the price difference between what an individual contracting authority could realistically expect to pay to a supplier (the baseline market price) and the benefits of an aggregated AoG contract price for the same item. Suppliers provide data with a total savings amount calculated according to the value of spending in the contract.

When establishing a new AoG category or reviewing an existing AoG category, the baseline market price is determined for each product group as part of the market analysis process. They are ascertained from a number of sources that may include a Request For Information (RFI) process, a review of existing contracted rates, general experience and knowledge in the market, and discussions with suppliers.

To better reflect the price discounts being achieved in the market, NZGP placed contracting authorities into tiers using different parameters according to the product or service. For example,

the IT Hardware category may determine agency size according to number of employees, and the Motor Vehicles category may determine agency size based on the size of their fleet.

The savings methodology gives indicative savings only. Some types of saving or other forms of value are not reported, such as:

- avoidance of the cost of tendering
- pricing certainty
- standard terms and conditions
- reduction in legal service fees
- consolidated invoicing
- enhanced reporting
- ease of process and transitioning
- ability to escalate performance and supply issues for resolution

Source: OECD (2019), [Public Procurement in Germany: Strategic Dimensions for Well-being and Growth](#), OECD Public Governance Reviews, OECD Publishing, Paris

