

11.0 Performance measurement and monitoring

11.1 Overview

Introduction

This chapter sets out the information the NZTA 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 NZTA to assess the impact of the procurement procedures on the supplier market, including fairness, competition and efficiency considerations. The requirements relating to public transport service key performance indicators are also covered in this chapter.

The NZTA 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.

This chapter contains the following sections:

In this chapter

	Section	Page
11.1	Overview	11-1
11.2	Performance measurement and monitoring framework	11-2
11.3	Information to be provided	11-5
11.4	Public transport service key performance indicators	11-7
11.5	Audit and compliance	11-9
11.6	Role of approved organisations	11-10
11.7	Role of the NZ Transport Agency	11-12

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 LTCCPs. This chapter draws on the skills and experience derived from other local authority functions and applies them to procurement.

The NZTA 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 NZTA 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 NZTA's key priorities, which are based on the requirements of s25 of the LTMA.

Purpose

The measurement and monitoring framework has three purposes:

1. to 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. to improve decision making and facilitate continuous improvement in procurement practice and procurement policy
3. to determine how well the procurement procedures are being followed.

The data collected by the NZTA 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 NZTA 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 NZTA. 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 NZTA 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. The wider assessment of value for money against activity selection and funding approval is not part of this framework, but belongs to the NZTA'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.

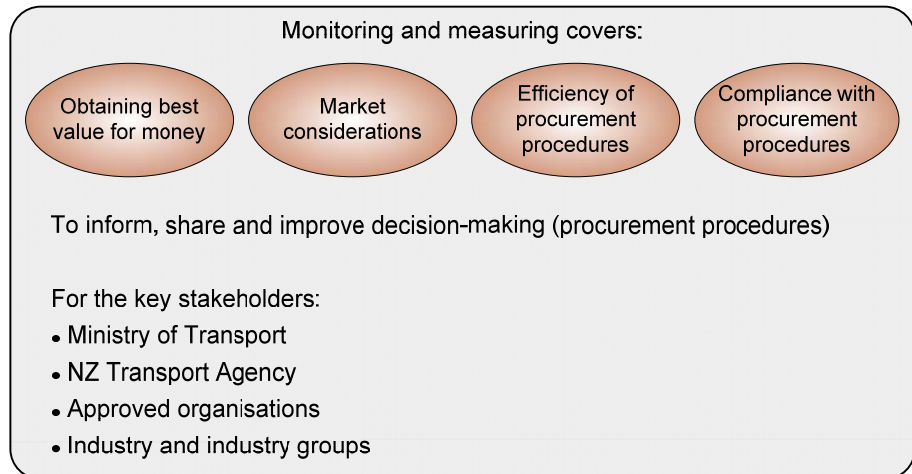
11.2 Performance measurement and monitoring framework continued

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.

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 NZTA will continue to collect and review information and documentation during its audit process.

Generic procurement information

The NZTA 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 NZTA.

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 NZTA 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

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 NZTA will continue to be used as a further indicator of fairness and market conditions.

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.

11.4 Public transport service key performance indicators

Introduction

The following key performance indicators form the basis of mandatory performance monitoring agreements between approved organisations and suppliers of public transport services. Typically, the contract will define minimum performance standards and provide a set of incentives for encouraging compliance. These key performance indicators will be used for:

- quality improvements
- contract compliance
- incentives and payment deductions
- contract extension options.

Regular meetings between purchasers and suppliers will help ensure that compliance is achieved and allow suppliers to advise of circumstances outside of their control that have impacted on their ability to meet the minimum key performance indicators. The key performance indicators are not intended to impede the efficient operation of services and should be a basis for constructive feedback.

The key performance indicators must be:

- directly relevant to the measurement of desired objectives (national public transport objectives and regional council transport objectives) and good contract management practice
- based on available and reliable data
- based on data that can be collected efficiently.

Key performance indicators

Approved organisations must monitor and record contract performance against the following key performance indicators.

Performance attribute	Key performance indicator
1. Service reliability Scheduled trips completed in full. Note that a trip leaving the origin stop >59 seconds early or >9 minutes and 59 seconds late is deemed not to have operated.	Percentage of scheduled trips operated in full.
2. Service punctuality: a. trip start b. en route and at destination.	a. Percentage of scheduled trips leaving origin stop between 59 seconds before and 4 minutes and 59 seconds after the scheduled departure time. b. Percentage of scheduled trips between 59 seconds before and 4 minutes and 59 seconds after the scheduled departure time at the selected points.

11.4 Public transport service key performance indicators continued

Key performance indicators continued

Performance attribute	Key performance indicator
3. Patronage	<p>a. Number of passenger boardings per trip operated. (With in-service vehicle kms and vehicle hours also collected, 5(a) and (b) below, passenger boardings per in-service vehicle km or per in-service vehicle hour can also be calculated.)</p> <p>b. Number of passenger boardings by passenger category (eg child, adult, SuperGold).</p>
4. Reporting timeliness	Number of specified supplier reports delivered within timeframes as specified in the contract.
5. Service inputs	<p>a. In-service bus kms delivered.</p> <p>b. In-service bus hours delivered.</p> <p>These may be used to monitor conformance with contract specifications for vehicle requirements (ie use of super low floor or low-emission vehicles).</p>
6. Farebox revenue	Farebox revenue by time period - should be reconciled with patronage reports for the same time period.
7. Customer satisfaction Surveys must include at least the 10 questions and answer options specified by the NZTA to provide a nationally consistent approach.	Percentage satisfaction, for both public transport users and non-users, with defined public transport attributes.
8. Passenger facilities (on-bus) A consistent data collection process will provide quantifiable data and allow comparison between regions.	Score (on a scale of 1 to 5) for specific passenger facility attributes (eg cleanliness, temperature, ride comfort, driver courtesy).
9. Safety and security	<p>The maintenance of an up-to-date incident register, disaggregated by:</p> <ul style="list-style-type: none"> • nature • severity • external factors. <p>Including the requirements of the health and safety sections of the Health and Safety in Employment Act 1992 and the Operator Rating System.</p>
10. Contract conformance with fleet composition	Comparison of fleet composition in use with tendered fleet composition and vehicle replacement policy conducted at random intervals (at a minimum, annually).
11. Complaints	<p>Number of complaints received, disaggregated by service attributes (eg punctuality, vehicle cleanliness, comfort).</p> <p>Percentage of complaints cleared up within 10 working days.</p>

11.5 Audit and compliance

Introduction

One of the NZTA's functions is to audit the performance of approved organisations in relation to the activities approved by the NZTA. 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 NZTA 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 NZTA.
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.

11.6 Role of approved organisations

Introduction

As noted above, approved organisations already have considerable experience developing performance measurement and monitoring systems. The NZTA does not prescribe how an approved organisation should monitor its own activities and it does not oversee individual contracts. However, the NZTA 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 NZTA 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 the life of the contract to ensure value is maintained or improved (in terms of output and any other evaluation criteria when selecting a supplier).

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

The NZTA 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.

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

11.7 Role of the NZ Transport Agency

Introduction

One of the NZTA's roles is to assist and advise approved organisations. Through its collection, analysis and evaluation of data, the NZTA will be able to identify best practice and share its findings with the sector.

Analysis

The collection and analysis of data over time will enable the NZTA 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.

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:

- individual approved organisations
- regions
- activity types
- delivery models
- supplier selection methods.

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.

Advice

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.

Feedback and reporting

The NZTA 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.
