



Significant
Service
**Contracts
Framework**





The Significant Service Contracts Framework is delivered by New Zealand Government Procurement (NZGP). NZGP delivers on the Ministry of Business Innovation and Employment's Procurement Functional Leadership objectives to shape procurement excellence across the Public Sector.

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SIGNIFICANT SERVICE CONTRACTS FRAMEWORK

Confidence that our significant service contracts are managed well.

The successful management of significant service contracts delivers great results for agencies and for New Zealand but when the management of these contracts fails, the results can be damaging.

The Ministry of Business, Innovation and Employment (MBIE) has been directed by Ministers to establish a framework for the management of government's significant service contracts with third-party providers.

The purpose of the framework is to provide confidence to government and the public that important services are being effectively delivered to New Zealand.

This work is being implemented by New Zealand Government Procurement (NZGP).

The framework includes agency and system-wide visibility, standardised management, oversight and accountability of agencies' significant service contracts.

Through the ongoing implementation of the framework, agencies will have visibility of their significant service contracts, be positioned to respond to changes, mitigate risks and have assurance that their significant service contracts achieve their intended outcomes.

WHO SHOULD APPLY THIS FRAMEWORK?

Agencies covered by the Government Rules of Sourcing will be required to apply this framework and report on a regular basis. However, all agencies are encouraged to implement this framework as it provides you with assurance that your significant service contracts with third-party providers are being appropriately managed.

Implementation of this framework will require the involvement of all functions within an agency that have responsibility/accountability for the successful management and operation of significant service contracts.

They may include:

- › Policy
- › Finance
- › Legal
- › Risk
- › Procurement
- › IT
- › Service delivery functions
- › Governance & planning

IDENTIFY YOUR AGENCY'S SIGNIFICANT SERVICE CONTRACTS

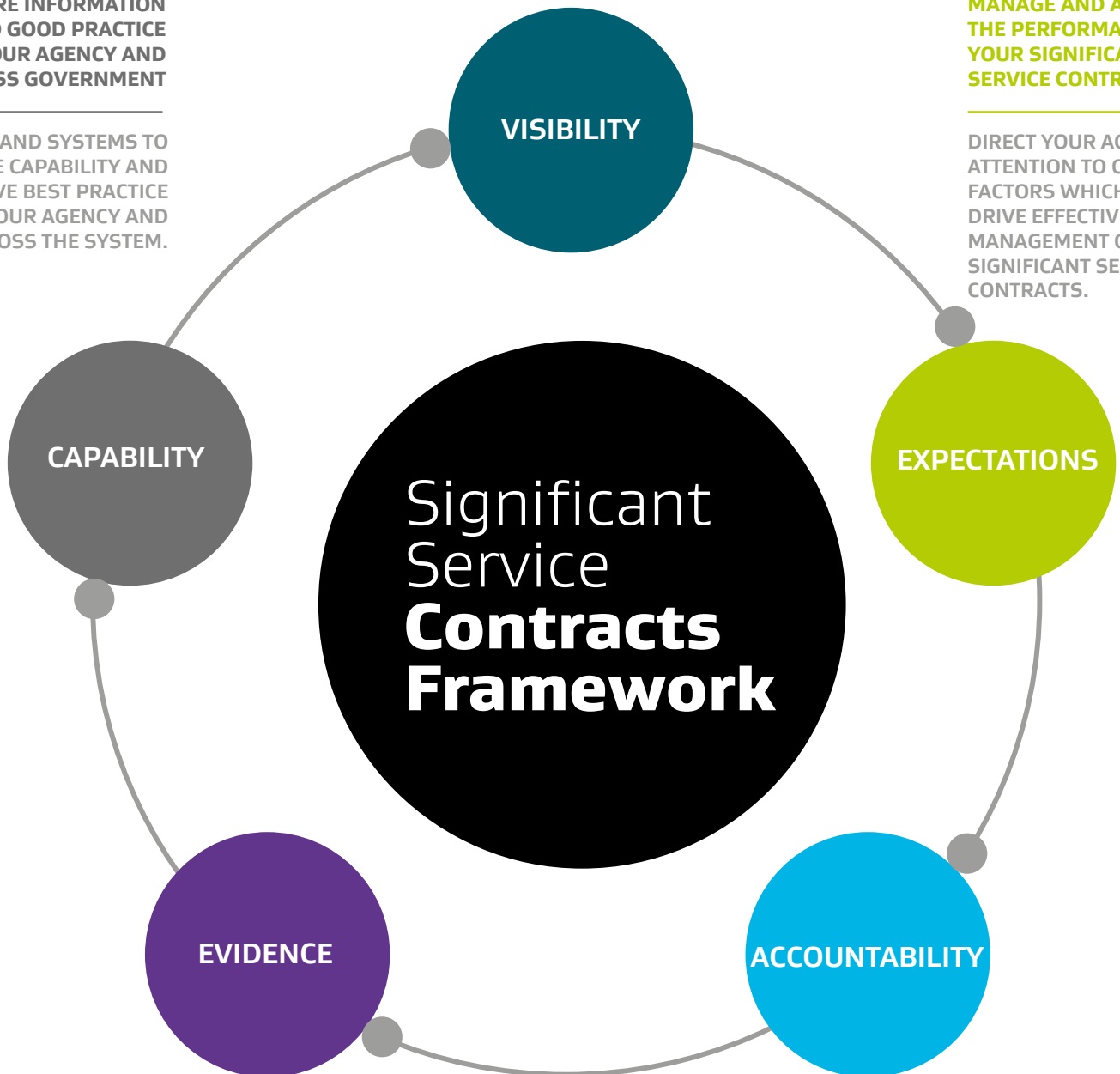
YOUR AGENCY'S CRITICAL SERVICE CONTRACTS AND THIRD-PARTY PROVIDERS.

MANAGE AND ASSESS THE PERFORMANCE OF YOUR SIGNIFICANT SERVICE CONTRACTS

DIRECT YOUR AGENCY'S ATTENTION TO CRITICAL FACTORS WHICH WILL DRIVE EFFECTIVE MANAGEMENT OF YOUR SIGNIFICANT SERVICE CONTRACTS.

SHARE INFORMATION AND GOOD PRACTICE IN YOUR AGENCY AND ACROSS GOVERNMENT

TOOLS AND SYSTEMS TO IMPROVE CAPABILITY AND DRIVE BEST PRACTICE IN YOUR AGENCY AND ACROSS THE SYSTEM.



ASSESS YOUR AGENCY'S PERFORMANCE AGAINST THE STANDARDS

EXTERNAL REPORTING AND ASSESSMENTS OF YOUR AGENCY TO MEASURE SUCCESS.

UNDERSTAND YOUR PERFORMANCE AND RISK ACROSS SIGNIFICANT SERVICE CONTRACTS

PROVIDE VISIBILITY OF YOUR SIGNIFICANT SERVICE CONTRACTS AND HOW THEY ARE PERFORMING INTERNALLY AND ACROSS THE SYSTEM.

NZ GOVERNMENT PROCUREMENT WILL SUPPORT AGENCIES TO IMPLEMENT THE FRAMEWORK BY:

USING EXISTING COMMUNICATIONS CHANNELS TO SHARE INFORMATION ON GOOD PRACTICE.
DEVELOPING GUIDANCE AND TOOLS, AND MAKING TRAINING AVAILABLE TO MEET AGENCY NEEDS.
WORKING WITH AGENCIES TO MANAGE IDENTIFIED ISSUES.

IDENTIFY YOUR AGENCY'S SIGNIFICANT SERVICE CONTRACTS

Significant service contracts provide services that are critically important to the delivery of the business objectives of your agency.

Use the following criteria to identify your significant service contracts:

- › What services are critical to meeting your agency's business objectives?
- › Which contracts are of significant risk or would have a significant impact on your agency, the economy or New Zealand in the event of failure?

Other factors you may wish to consider:

- › Do you have any third-party providers supplying a number of contracts across government, where their failure, or the failure of a contract, would have a significant impact on government, the economy or New Zealand?
- › Services are delivered over a long period (e.g. more than five years) where your agency needs to ensure service levels and value for money are maintained over the duration of the contract.
- › There are only a few third-party providers who deliver these services and/or there are major barriers to new third-party providers entering the sector or market.
- › There are major barriers for your agency to change the third-party provider.

1

VISIBILITY

MANAGE & ASSESS THE PERFORMANCE OF YOUR SIGNIFICANT SERVICE CONTRACTS

EXPECTATIONS OF AGENCIES

The Expectations detail four key questions Chief Executives may ask their agencies. The questions focus attention on the areas critical to the successful delivery of agency outcomes through third-party providers.

These Expectations provide a lens on the Leadership Success Profile (issued by the State Services Commission).

CHECKLIST FOR SENIOR RESPONSIBLE OWNERS

Senior Responsible Owners are senior personnel who are accountable for significant service contracts.

If you, as the Senior Responsible Owner, can respond satisfactorily to the checklists then you can have confidence that you are meeting the Expectations and can respond to the Chief Executive's questions.

CHECKLIST FOR CONTRACT MANAGERS

Contract Managers may be an individual or a team responsible for the day-to-day management of the contracts.

These checklists identify the minimum tasks you need to do to provide assurance that your agency is managing each contract well.

2

EXPECTATIONS

UNDERSTAND YOUR PERFORMANCE AND YOUR RISK ACROSS SIGNIFICANT SERVICE CONTRACTS

Agency reporting

Agencies are accountable for the performance of their significant service contracts.

For each significant service contract the agency should have the following key performance information:

- › The contract name and the third-party provider contracted.
- › Why the contract has been established (links to agency outcome, etc.).
- › The benefits being realised.
- › General performance information against agreed measures (financial, timeliness, KPIs, relationship status, risks and issues).

Agencies will be required to submit their reports six-monthly from March 2017. (Tier 1 investment intensive agencies are required to submit initial reports in early December 2016). NZGP has standardised reporting tools available for agencies to use.

Cross-agency visibility

NZGP manages a central register of agencies' reports on significant service contracts. This enables greater collaboration between agencies and helps NZGP support agencies with their significant service contracts. This register will also be used to collate information for Ministers who want to understand more about these contracts.

3

ACCOUNTABILITY

ASSESS YOUR AGENCY'S PERFORMANCE AGAINST THE EXPECTATIONS

Agencies should consider their overall performance against the Expectations and look to the following as indicators of success:

- › Investor Confidence Rating assessments
- › Reviews of Four-Year Planning Reporting
- › Agency strategic and business planning

NZGP does not intend to impose additional burden on agencies by requiring additional assurance assessments.

4

EVIDENCE

SHARE INFORMATION AND GOOD PRACTICE IN YOUR AGENCY AND ACROSS GOVERNMENT

Agencies should establish systems and processes to ensure consistent management of significant service contracts and build capability within their agency. You can assess your agency's capability through the Procurement Capability Index assessment process.

In addition, NZGP will help agencies by supporting capability development training programmes and providing opportunities to share best practice across government.

5 CAPABILITY

SIGNIFICANT SERVICE CONTRACTS FRAMEWORK - EXPECTATIONS OF AGENCIES

KEY LEADERSHIP QUESTIONS

Where are we going and how do we use third-party providers to get there?

The agency acts strategically and engages with third-party providers to ensure the agency and market or sector are positioned to meet current and future needs.

STANDARDS

Plan for the future

Agency strategic plans clearly demonstrate where our agency will be in four or ten years and investment strategies align with those plans.

Engage with markets or sectors

Detailed plans demonstrate how the agency will work with and develop markets or sectors to effectively deliver business plans and achieve value for the agency.

THINK

PEOPLE

KEY LEADERSHIP QUESTIONS

How am I building the right talent in our agency and across government to achieve our outcomes?

The agency invests in and values these activities to ensure it has a highly motivated and engaged workforce with the right skills for the effective management of significant service contracts.

STANDARDS

Developing talent

The agency strategy builds and supports our people to manage significant service contracts.

Continuous improvement

The agency systems and culture enable our people to leverage experience, continuously improve and drive best practice across our agency and government.

KEY LEADERSHIP QUESTIONS

How do we build our agency to deliver outcomes through third-party providers?

Significant service contract management is assured by having the right systems, processes and governance structures to manage these contracts.

STANDARDS

Take responsibility

Effective agency governance and engagement practices ensure the right people are involved in managing significant service contracts.

Create assurance

Robust systems and controls ensure our agency meets its obligations (including health & safety) and effectively manages significant service contracts to assure performance.

PLAN

DELIVER

KEY LEADERSHIP QUESTIONS

What actions are we taking to implement our strategies and achieve outcomes?

Significant service contracts deliver outcomes through effective engagement, tracking benefits achieved, managing risks and issues and realising health & safety goals.

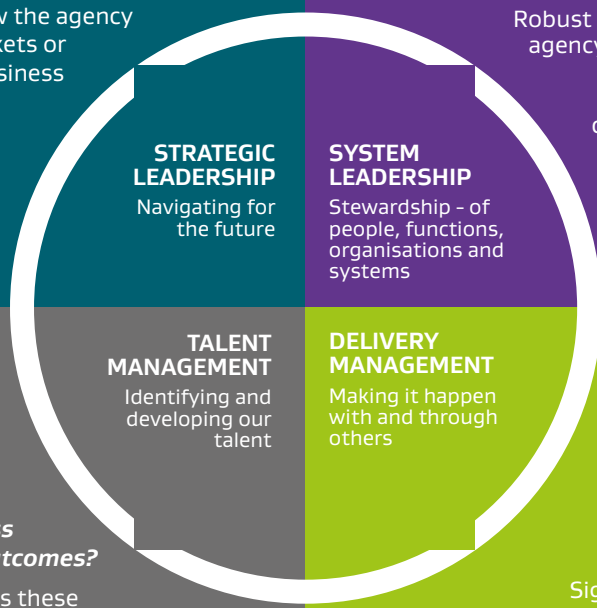
STANDARDS

Deliver outcomes

Reports and reviews provide agency & system-wide visibility demonstrating the value of our significant service contracts and delivery of benefits, outcomes and goals.

Engage effectively

Engagement plans implemented to manage performance, control risks and issues (including health & safety), deliver end-user needs and drive continuous improvement and innovation.



VISIBILITY

We identify our agency's significant service contracts using agreed criteria and maintain substantive records for these contracts.



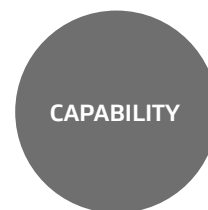
ACCOUNTABILITY

We submit significant service contract reports to the central register, every six months.



EVIDENCE

We use the Investor Confidence Rating, Four-Year Plans and/or our strategic plans as measures of agency performance.



CAPABILITY

We use the Procurement Capability Index to assess our agency's capability and maturity.

SIGNIFICANT SERVICE CONTRACTS FRAMEWORK - CHECKLIST FOR SENIOR RESPONSIBLE OWNERS

THINK

NAVIGATING FOR THE FUTURE BY SHAPING OUR AGENCY STRATEGY AND INVESTMENT TO DELIVER OUR FUTURE VISION.

WHAT IS OUR FUTURE VISION?

How does our strategic direction influence which outcomes we are investing in?

How is our strategic direction influenced by New Zealand and international trends, and working with and/or developing our markets or sectors?

What review processes do we have in place to monitor delivery of our outcomes and strategic direction?

HOW ARE WE PLANNING TO ACHIEVE OUR STRATEGY?

What do we do to stimulate competition in the market or sector, drive innovation and continuously seek value for our investment?

What do we do to understand market or sector drivers and how third-party providers see our account?

What new and enhanced services, including emerging technologies and practices, are in the market or sector which would help us deliver our strategic direction?

How do our investment strategies best meet and continue to meet our outcomes?

What do we do to adapt to changing markets or sectors, agency priorities, and government and public needs?

How do we build learnings, innovation and market or sector intelligence into re-investment plans, systems and processes?

PLAN

PROVIDING STEWARDSHIP OF THE PUBLIC SECTOR BY BUILDING ROBUST SYSTEMS & PRACTICES THAT PROVIDE ASSURANCE

HOW ARE WE TAKING RESPONSIBILITY TO ENSURE OUR AGENCY CAN DELIVER ITS OUTCOMES?

Do we have a contract management structure with appropriate skills and experience and do we provide sufficient resources for roles and responsibilities to be carried out?

What assurance do we have that we are implementing roles and responsibilities to an appropriate standard?

HOW ARE WE CREATING ASSURANCE THAT WE ARE MANAGING OUR CONTRACTS WELL?

What governance structures do we have in place to provide visibility of our contracts and how they are performing?

Do we have oversight of how our significant service contracts are managed and meeting our obligations (including health & safety)?

What systems and processes do we have in place to support delivery, record benefits realisation and value achieved, make key decisions and implement risk and assurance strategies?

What policies, guidelines and/or templates do we have to ensure that we plan and manage each contract effectively and systematically?

What systems and processes do we have in place to ensure appropriate advice is sought (i.e. legal, financial, risk, IT, procurement etc.) in a timely manner throughout the management of the contract?

DELIVER

MAKING IT HAPPEN BY WORKING WITH THIRD-PARTY PROVIDERS TO EFFECTIVELY DELIVER AGENCY OUTCOMES

HOW ARE WE WORKING WITH OUR THIRD-PARTY PROVIDERS TO DELIVER OUR OUTCOMES?

Do we have agency and government wide visibility of our significant service contracts and how they are performing?

What is our total investment with each third-party provider and how is that investment tracking?

What are we doing to manage performance and control risks and issues?

What are the benefits of our investment and how are they tracking?

What regular performance reviews are being undertaken and are we actioning any improvements identified?

ARE WE ENGAGING EFFECTIVELY WITH THIRD-PARTY PROVIDERS TO MANAGE DELIVERY OF OUR OUTCOMES?

What oversight of our investment does our Senior Leadership Team have?

How does the third-party provider see our agency and our account and how does this impact our engagement strategy?

What is our regular engagement with our third-party provider and stakeholders to discuss performance, improvements, innovation and demonstrate that we are achieving value and health & safety goals?

What engagement do we have with our third-party providers to identify, mitigate and manage risks and issues (including health & safety)?

What are we doing with our third-party provider and the market or sector to be positioned to manage any failure?

Do we, or the third-party provider, have up-to-date contingency, continuity and disaster recovery plans?

WITH THE RIGHT PEOPLE

IDENTIFYING AND DEVELOPING TALENTED PEOPLE AND VALUING CONTINUOUS IMPROVEMENT

HOW ARE WE BUILDING OUR AGENCY AND GOVERNMENT CAPABILITY TO DELIVER OUTCOMES THROUGH THIRD-PARTY PROVIDERS?

Do we have the right people with the skills and experience to help our agency deliver our outcomes and meet our strategy?

What are we doing to drive continuous improvement in our agency?

What are we doing to contribute to cross-government capability development?

SIGNIFICANT SERVICE CONTRACTS FRAMEWORK - CHECKLIST FOR CONTRACT MANAGERS

THINK

PLAN

DELIVER

HOW DO WE CONTRIBUTE TO AND INFLUENCE OUR AGENCY'S STRATEGIC DIRECTION?

UNDERSTANDING THE MARKET OR SECTOR

- > We engage early and regularly to keep informed of market or sector developments in New Zealand and internationally (including emerging technologies and practices) and build this intelligence into our strategies.
- > We inform the market or sector about our strategic direction and future needs.
- > Our significant service contract and third-party provider management strategies take account of the current and future position of the markets or sectors and provider drivers.
- > We work with the market or sector to solve major pain-points or issues before and during the delivery of the service.

PLANNING AND INFLUENCING OUTCOMES

- > We understand our agency's strategic plan and can demonstrate how the service links to, or will deliver, outcomes sought.
- > We can demonstrate that our strategy to deliver the service aligns with the strategic direction for these types of services.

INNOVATIONS, VALUE AND LESSONS LEARNT

- > We work with our third-party providers and the market or sector to constantly seek value from the service.
- > We analyse and evaluate innovations and lessons, and build this intelligence into our strategies and plans.
- > We plan and implement strategic reviews of the service, and any related matters, and build outcomes into our plans and strategies.

THINK

PLAN

DELIVER

HOW CAN WE BE SURE THAT THE CONTRACT IS WELL MANAGED?

ROLES AND RESPONSIBILITIES

- > The contract management roles and responsibilities have been recorded and approved, and have the buy-in of the Senior Leadership Team.
- > We have a detailed plan to implement the contract including a timetable with allocated tasks.
- > We know and have a record of the roles and responsibilities of the third-party provider team and we have communicated our agency's roles and responsibilities to them.
- > We engage specialist advice (i.e. procurement legal, financial, risks, IT, communications, etc.) when appropriate.

OUR MANAGEMENT STRATEGY

- > We have a plan to engage and communicate effectively with our third-party providers and our stakeholders, which has the buy-in of the Senior Leadership Team.
- > We understand our agency's governance and assurance structures and know when and how key decisions will be made for the delivery of the service.
- > We have a plan to identify, document, regularly review and report on our risks and current issues (including health & safety).
- > We understand and use our agency's guidelines and/or templates to manage the provider.

SIGNIFICANT SERVICE CONTRACTS FRAMEWORK - CHECKLIST FOR CONTRACT MANAGERS

THINK

PLAN

DELIVER

HOW DO WE KNOW OUR PROVIDER IS DELIVERING THE SERVICES AND ACHIEVING THE BENEFITS SOUGHT?

STAKEHOLDER MANAGEMENT

- > We have planned engagement with our stakeholders to obtain feedback, understand issues, seek improvements, manage health & safety obligations and implement improvement plans.
- > We inform stakeholders of changes to the service, as appropriate.
- > We work with our stakeholders to ensure we have a contingency plan to meet end users' needs in the event of failure, which is tested and up-to-date.

THIRD PARTY PROVIDER MANAGEMENT

- > We work with our third-party provider to undertake formal and informal reviews of the service and delivery, and we action any review outcomes.
- > We work with our third-party provider to understand obligations, continuously identify and manage issues and risks (including health & safety).
- > We regularly engage with the third-party provider to enable us to identify opportunities and make changes to the service to incorporate value, enhancements and build in innovations.
- > We ensure our Senior Leadership Team are briefed and/or engaged in relevant meetings with the provider.
- > We work with our third-party provider to ensure their health & safety practices and business continuity and disaster recovery plans are able to respond to events.
- > We record and respond to suggestions or concerns raised by the third-party provider.

PERFORMANCE MANAGEMENT

- > We document, plan, monitor and review the achievement of benefits.
- > We have agreed performance requirements and service levels with the third-party provider and stakeholders and monitor delivery.
- > We ensure that the agreed record of performance requirements and service levels is correct and up to date.

CONTRACT MANAGEMENT

- > We have a detailed management strategy which includes, if relevant, managing or working to shift our third-party provider's view of our agency.
- > We complete ongoing due diligence on our third-party provider (including financial performance, key accounts and key personnel) to ensure their continued ability to deliver.
- > We regularly report on key information, benefits, performance, risk and issues to our Senior Leadership Team and, when relevant, the Central Significant Service Contracts Register.
- > We have recorded the contract on our agency's register including all relevant contract and performance information.
- > We track our expenditure against the total legal commitment and make payments in accordance with the contract.

HOW DO WE CONTRIBUTE TO OUR AGENCY'S AND THE WIDER GOVERNMENT CAPABILITY?

PERSONAL DEVELOPMENT

- > I complete all relevant training to be able to fulfil my roles and responsibilities.
- > I support the continuous improvement of our agency practices to deliver effective management of our third-party providers.

SUPPORTING CROSS-GOVERNMENT COLLABORATION AND CAPABILITY

- > I actively share my learnings, market or sector intelligence and good practice in our agency and across government.