

20 November 2012

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Talent2 NZ Limited & Talent2
International Limited
Level 24
360 Collins Street
Melbourne
VIC 3000

Attention: Brian Ashton

Dear Brian

NOTIFICATION OF FAILURE TO MEET CRITICAL KEY PERFORMANCE INDICATOR

- 1 I write in relation to the Education Schools Payroll Outsourcing Agreement dated on or about 11 August 2008, between the Ministry, Talent2 NZ Limited (*Supplier*) and Talent2 International Limited (*Guarantor*), as amended from time to time (*Master Agreement*).¹

Purpose

- 2 This letter notifies Talent2 that it has failed to meet Critical Key Performance Indicators (*KPIs*) in pay periods 12 and 13 of 2012, and that pursuant to clause 13.3 of the Master Agreement the fees payable for each of these pay periods reduces by [REDACTED] s 9(2)(b)(ii) OIA

Background

- 3 Under clause 13.3 the Ministry must notify Talent2 before the end of the calendar month following the month in which the relevant failure to meet the Critical KPI is reported to the Ministry by Talent2 if the fee reduction is to occur. Talent2 provided to the Ministry a draft 'KPI Dashboard' on 8 October 2012 but has not otherwise reported against KPIs.
- 4 For the avoidance of doubt, the Ministry does not consider that the 'KPI Dashboard' meets Talent2's reporting obligations.

KPIs Breached

- 5 The table below sets out the details of the Critical KPIs that Talent2 has failed to meet and the pay period in which that failure occurred.

¹ In this letter, references to the Master Agreement include a reference to its Schedules and Service Schedules. Terms defined in the Master Agreement have the same meanings when used in this letter, including the appendices of this letter. Unless the context requires otherwise, a reference in this letter to an Appendix is a reference to an appendix of this letter.

Critical KPIs Breached in pay period 12 of 2012	
Critical KPI	Breach
s 9(2)(b)(ii) OIA	
	s 6(c) OIA
Critical KPIs Breached in pay period 13 of 2012	
Critical KPI	Breach
s 9(2)(b)(ii) OIA	
	Extension required from bank to process out of cycle pay, s 6(c) OIA stop file received by bank after deadline, failure of daily null file, direct debit file requiring manual intervention for processing

Fee Reduction

- 6 The table below sets out the fee reductions for each of pay periods 12 and 13.

Year applicable:	Operational Year 1
Annual fee:	s 9(2)(b)(ii) OIA
Base Fees:	s 9(2)(b)(ii) OIA (Annual fee applicable divided by 365 multiplied by 14) ²
Reduction:	s 9(2)(b)(ii) OIA
Number of Critical KPIs breached in pay period 12:	3

² 365/14 equates to 26.07 pay periods in an annual year

Fee reduction for pay period 12:	§ 9(2)(b)(ii) OIA
Invoice affected:	September 2012
Number of Critical KPIs breached in pay period 13:	3
Fee reduction for pay period 13:	§ 9(2)(b)(ii) OIA
Invoice affected:	September 2012

7 The Ministry has paid the September invoice in full. Please provide a credit note for § 9(2)(b)(ii) OIA plus GST, which is the amount that should have been deducted pursuant to clause 13.3.

Conclusion

- 8 This letter is without prejudice to all other rights and remedies available to the Ministry, whether under the Master Agreement or at law, arising from Talent2's failures as outlined in this letter or that otherwise have occurred.
- 9 If you have any questions, please contact me.

Yours faithfully

§ 9(2)(k) OIA

Rebecca Elvy
Group Manager Education Workforce