

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

Attention: Brian Ashton

Dear Brian

INTERIM KPIs AND DEFECT REMEDIATION

- 1 I am writing 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

Background

- 2 The Supplier has commenced the operational Services described in the Service Schedules of the Master Agreement (*Operational Services*). However, the Supplier has yet to address a number of outstanding software defects, and a number of unmet software requirements. In addition, the Supplier has raised concerns regarding its ability to comply with the KPIs set out in the Master Agreement during the early stages of the Operational Services.
- 3 Against that background, our respective teams have recently discussed a number of proposed variations to the Master Agreement. Broadly, these are designed to provide for an interim period during which a limited set of agreed KPIs will be substituted for the KPIs set out in the Master Agreement. This letter formally sets out those proposed variations, and seeks your agreement to them.

Variations to Master Agreement

- 4 With effect from 20 August 2012, we propose the following:

Interim KPIs

- 4.1 Except where this letter provides otherwise, for the period beginning on the first Cut-Over Date and ending at the close of 2 November 2012 (*Interim Period*):
- (a) each reference in the Master Agreement to "Key Performance Indicators" or "KPIs" will be read as a reference to the "key performance indicators" set out in Appendix 1 (*Interim KPIs*); and
 - (b) each reference in the Master Agreement to "Critical Key Performance Indicators" or "Critical KPIs" will be read as a reference to the Interim KPIs

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.

identified as "critical" in Appendix 1, and any other Interim KPIs that are deemed to be Critical KPIs for the time being pursuant to clause 13.2 of the Master Agreement; and

(c) clause 1 of Schedule 2 of the Master Agreement will not apply.

4.2 Paragraph 4.1 will cease to apply on and from the end of the Interim Period.

4.3 During the Interim Period, the Supplier will use reasonable endeavours to ensure that all the KPIs are met (including all the KPIs set out in Schedule 2 of the Master Agreement, and not only the Interim KPIs). This paragraph 4.3 does not itself limit the Supplier's obligations under the Master Agreement.

Review of KPIs

4.4 During the period from the start of 15 October 2012 to the end of 2 November 2012, the Supplier and the Ministry will undertake a review (*KPI Review*) to assess each Interim KPI to determine whether the KPI:

(a) is required and/or warranted as part of the KPIs detailed in Schedule 2 of the Master Agreement going forward;

(b) contains an appropriate "normal" value, taking into account the Supplier's performance against that KPI over the Interim Period; and/or

(c) should be clarified or modified in any other way.

4.5 The results of this review will not bind the Ministry or the Supplier in any way. Either party may request changes to the KPIs in the Master Agreement by submitting one or more Change Requests in accordance with the Master Agreement.

KPI Reporting

4.6 During the Interim Period, the Supplier will monitor, track and store information on its performance against the KPIs, as required by clause 2.1 of Schedule 2 of the Master Agreement, applying those provisions to both the Interim KPIs and all the KPIs in Schedule 2 of the Master Agreement.

4.7 During the Interim Period, the Supplier will provide the Operational Board with a fortnightly report on the Supplier's performance of the Operational Services over the preceding pay period. This report is due at the end of the relevant pay period. This report must include:

(a) a summary report on the Supplier's performance over the relevant pay period against each of the Interim KPIs, noting which have been met and which have not been met;

(b) any statistical information which the parties have agreed that the Supplier will provide during the Interim Period; and

(c) any ad hoc reports reasonably requested by the Ministry, on reasonable notice, in relation to any other KPI specified in Schedule 2 of the Master Agreement (as distinct from the Interim KPIs).

- 4.8 Within 10 Business Days of the end of the Interim Period, the Supplier will provide the Operational Board with a detailed report on the Supplier's performance of the Operational Services over the Interim Period. This report must include a detailed report of the Supplier's performance over each relevant pay period against each of the Interim KPIs, reported at the measurement frequency specified for each Interim KPI in Appendix 1, together with an executive summary, analysis, and recommendations from the KPI Review.

Defect Remediation

- 4.9 Without prejudice to any of the Ministry's other rights and remedies, the Supplier confirms that it will continue to use reasonable endeavours to resolve all of the payroll system defects listed in Appendix 2 (*Listed Defects*) in accordance with the requirements agreed as part of the Transition Scope (as defined in Schedule 4A of the Master Agreement).
- 4.10 To this end, during the period from the first Cut-Over Date until 31 December 2012, the Supplier will prepare and implement the payroll software releases designed to remedy the Listed Defects (each a *Release*), and will assist and co-operate with the Ministry in conducting user acceptance testing on each Release.
- 4.11 To avoid doubt, where the Supplier is entitled to any payment under the Master Agreement calculated on a time and rate basis (for example, debt management or retrospective processing), the Supplier will not be entitled to charge for any incremental time or effort that would not have been necessary but for the persistence of one or more Listed Defects beyond the first Cut-Over Date.
- 4.12 To avoid doubt, this letter does not affect the Ministry's right to seek Direct Damages or other compensation under the Master Agreement.

Incorporation and priority

- 4.13 The provisions of this section 4 will form part of the Master Agreement. Where those provisions conflict with any other part of the Master Agreement, they will prevail to the extent necessary to resolve the conflict. Except as set out in this section 4, the Master Agreement will continue unchanged, in full force and effect, subject to and in accordance with its terms.

Guarantor's confirmation

- 5 The Guarantor hereby confirms and agrees that nothing in or done pursuant to this letter will release, discharge or prejudice any of its obligations under clause 26 of the Master Agreement; and the reference in clause 26 of the Master Agreement to "this Agreement" includes a reference to the Master Agreement as amended by this letter.

Next steps

- 6 To indicate your acceptance of the above, I would be grateful if you could sign in the spaces indicated below, and return a copy of this letter to me (a scanned copy by email would be fine).

- 7 The offer outlined in this letter will remain open until withdrawn by the Ministry. The Ministry may withdraw the offer by notice to the Supplier, at any time before the Ministry receives a countersigned copy of this letter.

Yours sincerely

s 9(2)(k) OIA

Rowena Phair
Deputy Secretary
Student Achievement

Signed for and on behalf of
Talent2 NZ Limited by:

Name:
Title:
Date:

Signed for and on behalf of **Talent2 International Limited** by:

Name:
Title:
Date:

APPENDIX 1: INTERIM KPIS

MANAGE SERVICE DESK KPIS

KPI 1	Service Desk Operating Hours – Critical Performance Indicator
Definition	Hours during which the Service Desk is available to Clients on an uninterrupted basis for the following means: phone, email, web portal. Phone services must be available from 8.00 am to 5.00 pm Monday to Friday on all Working Days.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Delivery	
Normal value	

KPI 2	Service Desk Phone Answering
Definition	Time from Service Desk receiving call to Service Desk answering call.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

KPI 3	First Call Resolution Rate (Level One, Service Desk)
Definition	Number of Calls Resolved by the Service Desk (at level one at the first point of contact) during a Working Day, as a percentage of all Calls that were Resolved during that day.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

KPI 4	Number of Events re-activated after being closed
Definition	Number of Events re-opened which had previously been closed, as a percentage of all Events in that quarter.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

LEVEL 2 AND LEVEL 3 SUPPORT KPIs

KPI 5	Ministry Escalation Rate
Definition	s 9(2)(b)(ii) OIA
KPI category	
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

RUN PAYROLL KPIs

KPI 6	Payroll Accuracy – Payroll System calculations processed error free – Critical Key Performance Indicator
Definition	s 9(2)(b)(ii) OIA
KPI category	
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

KPI 7	Payroll Payments Pay Adjustments
Definition	Number of payments processed for a particular Pay Period (<i>Current Pay Period</i>) that are corrections to previous employee payments from a previous Pay Period, as a percentage of total Payroll Payments due in that Current Pay Period.*
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Delivery	
Normal values	

* For the avoidance of doubt, errors caused by schools due to keying or timing of entry are excluded, with the exception of those errors that are reported via exception to the pay centre for correction

KPI 8	Termination Payments
Definition	<p>The number of Employees who have their final pay processed via electronic funds transfer on a given Working Day, where that day is either:</p> <ul style="list-style-type: none"> • their last day of work; or • the next Working Day plus one after the Working Day on which a Board of Trustees Payroll Representative notified the Supplier that the Employee was to receive his or her final pay, <p>as a percentage of all the Employees who have their final pay processed on that day. *</p>
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

* or as agreed otherwise by the Supplier and the Ministry in respect of a specific payment/s and is based on the assumption that schools will provide timely notice of termination/s to the pay centre.

KPI 9	Mailing*
Definition	Time from completion of Pay Run until payslips (and associated communications, if any) for all Employees due in that Pay Run are sent to those Employees.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

* applies to payslips posted and emailed

KPI 10	Payroll Error: Underpayment Resolution Time
Definition	The time from an underpayment being discovered until employee receives the additional funds in their bank account.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

KPI 11	Bank file sent – Critical Key Performance Indicator
Definition	All bank file/s successfully transferred (electronically) to the relevant bank in respect of a given Pay Period, in time for the deadline set by that bank for the purpose of making payments in accordance with the processing schedule for that Pay Period.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

MANAGE EMPLOYEE INFORMATION KPIs

KPI 12	New Appointments (From Receipt)
Definition	Time from the Payroll Centre receiving notice of an Employee being appointed by a Board of Trustees until his or her Employee Information (as provided to the Payroll Centre by a Board of Trustees Payroll Representative) is entered into the Payroll System (averaged across all such entries made on a given Working Day).
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

* or as agreed otherwise by the Supplier and the Ministry in respect of Principals new appointments

DEBT MANAGEMENT KPIs

KPI 13	Managing Debt
Definition	Time from an overpayment that is paid through the Education Service Payroll being discovered (irrespective of the cause of overpayment) until repayment is made either in full or by arrangement.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

KPI 14	Broken Debt Arrangement
Definition	The number of overpayments where debt has been acknowledged by the debtor and a payment arrangement entered into, however payment has not been received within three (3) Working Days of the due date of the arrangement
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

ASSESS TEACHER SALARIES KPIs

KPI 15	Assess Salaries
Definition	Time from the Teacher Salary Assessment Team receiving a properly completed request from the Service Desk for a Salary Assessment until that Salary Assessment is provided to the Payroll Centre ready for Entry into the Payroll System (averaged across all the Salary Assessments provided to the Payroll Centre on a given Working Day).
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

CLIENT SATISFACTION KPIs

KPI 16	Client Satisfaction
Definition	Clients who are satisfied that the Supplier's provision of the Services meets the Service Levels and other requirements of this Agreement.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

TECHNOLOGY PLATFORM MANAGEMENT KPIs

KPI 17	Integrated Web and Hosted Solution
Definition	Percentage of time (during the hours of 7am to 7pm on Working Days) during which the Integrated On Line Web Interface and the Hosted Solution is <i>concurrently</i> available to Clients to carry all Services, end to end.
KPI category	s 9(2)(b)(ii) OIA
How it is measured	
Measurement Frequency	
Measurement Reporting	
Normal value	

1 DEFINITIONS

Unless otherwise defined in this Appendix, capitalised words used in this Appendix will have the meaning assigned to such terms in clause 28 of the Master Agreement. The following terms have the following meanings in this Appendix:

Access Policy means the Policies and Procedures detailing how each kind of Access Request is to be resolved.

Access Request means a Client request made to the Service Desk for the provision of a Payroll Service, or access to an associated IT System.

Board of Trustees Payroll Representative means a person nominated by a Board of Trustees and notified to the Supplier from time to time.

Call means an Event submitted by a Client by telephone.

Change for the purposes of this Appendix means an alteration to any business processes or IT systems or infrastructure procured or used by the Supplier for the time being for the purpose of performing the Services.

Clients means Board of Trustees Payroll Representatives, Education Service Payroll Team Members and Nominated Third Parties (where applicable).

Crisis has the meaning set out in the table under the definition of "Incident".

Debt Management System means the Supplier's debt management system used to manage, monitor and deliver the Services under the Debt Management Service Schedule.

Education Service Payroll means the payroll defined in the Requirements.

Education Service Payroll Team Members means the members for the time being of the Ministry's education service payroll team.

Employee means a person employed for the time being by one or more Boards of Trustees.

Employee Debt means debt owed by Employees to the Ministry or Schools arising as a result of overpayments from the Education Service Payroll to that Employee.

Employee Information means information required to pay that Employee through the Payroll System.

Event means an Access Request, Fulfilment Request or Incident (as the case may be).

Fulfilment Request means:

- (a) a Client request made to the Service Desk for information on, or assistance with, the Services or the operation of an associated business process or IT system (Help Request);