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Note: in this document, a supplier means a general supplier in the market, whereas a service provider means a supplier has successfully become a member of the Marketplace.

## What are the secondary procurement guiding principles?

Agencies need to be aware of their requirement to apply the [Government Procurement Rules](#) and their internal procurement policies.

Agencies can procure services in different Channels from one Service Provider or multiple Service Providers.

Agencies are recommended to focus on outcomes rather than requirements when running secondary procurement process.

## What due diligence has been done in the primary procurement process?

As part of the primary procurement, Lead Agency has carried out the following due diligence:

### General

- business information (e.g. company details, authorised personnel)
- financial viability (this will be validated on an annual basis)
- legal viability (this ensures suppliers' legal status)

### Specific

For services channels, additional due diligence has been undertaken by Lead Agency as part of the primary procurement process:

- supplier experience and capability assessed
- regulatory requirements where relevant (e.g. PRA compliance for Content Services)
- security information related to a service catalogue assessed
- additional security documentation (if provided, e.g. response to Cloud Risk Assessment Tool, ISO standards certification, SOC 2 reports, etc) validated and available for agencies to view
- case studies or working examples relevant to each service available to assist agencies to shortlist service providers

## What are the accepted secondary procurement methods?

The methods to select service providers should be appropriate for:

- the nature of the goods, services or work and the anticipated volume of work; and
- comply with agencies' internal procurement policy.

The [Government Procurement Rules](#) define that the following methods for secondary procurement processes are appropriate for Marketplace:

- a. **competitive quotes which could be based on the supplier's expertise, proposed solution and /or best public value:** Ask for quotes from service providers shortlisted via the Marketplace research and award the opportunity to the service provider who has the right level of expertise, can offer the best public value and deliver on time
- b. **direct source, based on the best fit for purpose:** Fair evaluation of all service providers and selection of the service provider who has the right capacity and capability to fulfil the opportunity and offers the best public value at the time of the purchase. Examples are:
  - when the purchase is of lower value than agencies' procurement policy threshold;

- a monopoly supply situation exists (there is only one supplier in the market that can deliver the outcomes)
  - when the cost of change outweighs potential gain from a competitive process (this means agencies choose to stay with the incumbent supplier)
  - based on research / due diligence in the Marketplace, it is easy to determine which service provider/service is most fit for purpose
- c. **rotation:** Award opportunities to each service provider in turn regardless of their expertise, public value or delivery time
  - d. **equal division of the work:** Fix an upper limit for the amount of work that can be awarded to each service provider and award opportunities on a rotational basis. When a service provider reaches the upper limit, the agency chooses the next supplier from the list of service providers that can deliver the outcomes
  - e. **preferred supplier basis:** Identify a preferred service provider from the Marketplace. This service provider receives most of the opportunities unless it has a conflict of interest or is unable to supply. If this happens, the agency will award the opportunity to the next-ranked service provider from the Marketplaces.
  - f. **location:** award to the service provider who is best able to deliver based on their location and the location of the work.

No matter which secondary method agency chooses to apply, the rationale should be clearly documented.

## What are the recommended secondary procurement processes?

Adopted from secondary procurement processes used in other common capability contracts (such as Desktop as a Service and Telecommunication as a Service), the recommended processes include four phases: prepare, discover, select and contract.

For more information on each phase in different channels, please lick on the link below:

[The four-phased secondary procurement process](#)

## What are the things I need to be aware of when buying software as a service?

### What is software as a service?

Software as a service (SaaS) is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted.

### How is buying SaaS different from the more orthodox procurement of goods and services?

- a) more often than not, the cloud service providers are based overseas or use third party infrastructure based overseas from which to provide their cloud services;
- b) the cloud service providers are usually providing highly commoditised services and are usually targeting large global audiences;
- c) cloud service providers' business models usually depend on high consumption volumes with minimal to no on-boarding effort on their part for individual customers;

- d) the transparency of online international pricing and services ensures competition between providers that, in many respects, is comparable to pricing within a commodity market;
- e) supplier’s margins for individual customers are often low;
- f) for these reasons, most public cloud service providers are unlikely to participate in public procurement processes for individual purchases unless (and even then only in some cases) the value of the projected spend is high;
- g) the cloud service providers have standard terms of use which have been drafted with their own laws in mind and often by reference to their international audiences; given the often low margins on individual transactions, they cannot afford or will not be interested in negotiating detailed bespoke contracts for individual customers.

## Step by step guide on how to buy managed services

This section provides step by step actions for buying managed services, using the four-phased approach (prepare, discover, select and contract).

### What do I need to do to PREPARE for a secondary procurement of managed services?

Step	Action (Prepare Phase)
1	Develop an agency profile to prepare for discussion with service providers and help service provider to understand your business and technical background. Click the link below to see guidance on how to develop an Agency Profile. <a href="#"><u>Considerations for developing an Agency Profile</u></a>
2	Prepare your agency business outcomes brief. This could include items such as high priority/urgent outcomes, business overview, ICT overview, etc.  At the end of the business outcomes brief, there should be a list of questions that you want service providers to respond to.  At high level, the business outcomes brief should include: <ul style="list-style-type: none"> <li>• Agency introduction (brief on the business)</li> <li>• Business unit overview (if required)</li> <li>• Key dates</li> <li>• Agency profile</li> <li>• Target state (focus on scope and define in terms of business outcomes)</li> <li>• Specific requirements</li> <li>• Assumptions</li> <li>• Questions for service provider to respond</li> <li>• Additional information (if required)</li> <li>• Selection criteria</li> </ul>
3	Determine selection criteria based on business outcomes and priorities.
4	Marketplace search based on business outcomes sought.

	<p>If you have good knowledge about the supplier market, then you may browse the profiles of service providers you think can meet the outcomes you are seeking;</p> <p>If you are unsure who are the key suppliers in the market, but you have certain “must have” criteria in mind, then you may search the Marketplace using various key words, such as Office 365 transition capability, agile methodology or ITIL, certain standards, e.g ISO/ICE 27018, etc.</p> <p>Alternatively, if you are uncertain what to search, you may publish the outcomes you are seeking on the Marketplace, asking qualified and interested service providers to get in touch.</p>
5	<p>Select a shortlist of service providers to participate in an initial workshop.</p> <p>This is an opportunity for service providers to better understand the background and business outcomes you are seeking, for Eligible Agency to test the assumptions made and gauge level of interest from service providers.</p>
6	<p>Send the business outcomes brief along with any further question you may have after the initial workshop to interested service providers.</p>

## Considerations for developing an Agency Profile

The information below will assist:

- Agencies to prepare for discussion with service providers
- Service provider to understand agency’s business context, need for change, key drivers, urgency, and technical background

**Business drivers**, may include:

- Infrastructure that is end of life
- Expiring contracts
- Government co-location projects
- New business initiatives
- Regulatory changes
- Citizen driven demand for innovative solutions

**Overview of current ICT environment**, may include:

- Current and future operating models
- Major vendors and technology providers
- Geographic dispersion of users (e.g. number of sites, do you have users who are on the road most of the time etc.)
- Key core/common and line of business applications
- Desktop environment
- Location of major data centres
- What applications are in the cloud?
- What applications are you considering moving to the cloud?

- What are your security considerations?
- What delivery methodology do you use, agile, ITIL or combination of both?
- What other Common Capability contracts are you currently consuming? Will there be any overlap of services, such as Desktop as a Service and Telecommunication as a Service?

**Outcomes sought**, may include:

- Alignment with Government Digital Strategy
- Better system performance
- Improved customer experience
- Ease of management (contracts, resource, supplier relationships, financial management, etc)
- More secure transactions
- Quicker adoption of innovation
- Better governance and oversight
- Efficiency gains
- Regulatory compliance (e.g Public Record Act, Web Accessibility Standards)

### **Timeframe considerations**

Describe any transition requirements and constraints. These may include:

- Specific timeframes to align with busy periods
- Other in-flight projects
- Financial year alignment

### **Cost considerations (for internal use only, not to be shared with Service Providers)**

What are the baselines for the service/s you intend to procure in the Marketplace?

For example, if your environment is managed in-house with hardware purchased on a traditional 3-year/5-year lifecycle refresh, then you need to understand the end to end cost for hardware maintenance, hardware refresh cycle, in-house management tools and refresh of those management tools etc.

If your environment is outsourced what is the term and value of the contract? Are there any services that you provide in-house? For example, a Network Operations Manager function?

## What do I need to do in DISCOVER phase of the secondary procurement of managed services?

Step	Action (Discover Phase)
1	Receive response from service providers.
2	Evaluate responses based on pre-determined criteria. Select one or two service providers for detailed workshops.
3	Prepare for the detailed workshops. The service provider/s will deliver a presentation or provide supporting material that responding to the set of questions and requirements during the detailed workshop.
4	Conduct the Detailed Workshops Participation includes: <ul style="list-style-type: none"> <li>• <b>Eligible Agency:</b> outlines the strategic vision, intents, timeframes, primary drivers and areas of concern</li> <li>• <b>Service Provider:</b> presents an overview of service offerings to the key decision makers responding to the set of questions</li> </ul>
5	At the conclusion of the detailed workshops the Eligible Agency requests from each service provider: <ol style="list-style-type: none"> <li>1. refined service offerings and pricing, including a transition plan if relevant.</li> <li>2. any additional information discussed during the workshop i.e. could be clarification on specific detailed quotations.</li> </ol> If further clarification is required: <ul style="list-style-type: none"> <li>• determine areas of discovery to be covered in any further workshops or responses</li> <li>• agree on number, scope and timing of any further detailed workshops or process for covering this off, could be done via Q&amp;A, or email etc.</li> </ul>
6	<b>End Result:</b> receive refined service offerings and pricing

## How do I SELECT service provider(s) from the secondary procurement of managed services?

Step	Action (Select Phase)
1	Complete the final evaluation of service providers based on further information gathered from Discovery phase.
2	Complete due diligence on the preferred service provider <ul style="list-style-type: none"> <li>• validate supporting material: make sure any security documentation and/or any claimed certification /qualification is true and up to date</li> <li>• risk assessment (if required)</li> <li>• financial analysis</li> <li>• reference checking</li> </ul>
3	Following internal approval process to gain authority for the preferred service provider to move to the Contract phase.

## How do I CONTRACT service provider(s) from the secondary procurement of managed services?

Step	Action
1	Sign the Subscriptions Form with the service provider.
2	Prepare Statement/s of Work (using the templates provided in the Commercial Terms) for all the services being purchased.
3	Statement/s of Work signed by authorised personnel by both parties.
4	Upload the signed Statement/s of Work to Marketplace.

## What are the three security tiers?

Marketplace has been designed to apply the following three-tier Security Assurance and Endorsement Model to these services, for which Tier 1 is the highest level.

- **Tier 1: Design and Control Effectiveness**— To obtain this rating, suppliers have to provide additional information and receive Information Security Certification from the [New Zealand Government Chief Digital Officer \(GCDO\)](#). This activity can be supported from an organisation having [international Standards Organisation \(ISO\)](#), ISO 2700 and SOC2 Certification. Or the supplier is recommended to engage with the [Security Services Related Panel](#) to provide independent assurance of Design and Control Effectiveness.
- **Tier 2: Design and Control Analysis** — Suppliers have to provide detailed security assurance information that Agencies will be able to review. This information will be reviewed and confirmed appropriate by the GCDO before Tier-2 endorsement.
- **Tier 3: Baseline Index** — For SaaS, Suppliers need to have an independently verified security risk rating to provide their service on Marketplace, such as a Confidence and Risk

Index (CRI) rating, plus the Cloud Risk Assessment Tool. For professional services and managed services, suppliers need to respond to a set of questions to prove that they can meet minimum security requirements.

## **What additional security due diligence is required for IT managed services?**

All suppliers are on-boarding at Tier 3 level (baseline index). This means they have provided some information so that agencies can be informed on the service risk profile and take additional risk mitigation when required.

All suppliers of Managed Services are required to answer the questions regarding

- data ownership
- legal jurisdiction
- encryption protocols
- willingness to share audit reports
- identity management
- password enforcement
- personnel vetting process
- international standards
- business continuity and disaster recovery plans
- physical security controls
- notification process for security breaches

If there is any cloud component in a service offering, supplier is required to complete the Cloud Risk Assessment Tool (105 questions). This artefact is available for agency to view.

For services of higher risk nature, such as Service Management Services and Cloud Management Services, agencies should require suppliers to provide further security information so that they can achieve Tier 2 or Tier 1 status.

## The four-phased secondary procurement process



Channel Phase	SaaS Channel	Professional and Consultancy Services Channel	Managed Services Channel
Prepare	<p>During the Prepare phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>prepares a simple business outcomes brief (e.g., a problem the agency needs to solve, functional and non-functional requirements, nature of the services required, budget considerations)</li> <li>search for functional and assurance related information available in the Marketplace                             <ol style="list-style-type: none"> <li>if there is enough information in the Marketplace to enable the agency to make decision, then go to Select phase (this is called <b>simple competitive process</b>)</li> <li>If the primary passive evaluation (desk-based research) is not sufficient for decision making, then the agency needs to assess the information gap and require further input from service providers (this is called <b>complex competitive process</b>)</li> </ol> </li> </ul>	<p>During the Prepare phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>prepares a light version of the business outcomes brief, providing information on background, outcomes and key skills required</li> <li>reviews supplier information in the Marketplace and shortlist service providers who can meet business outcomes</li> <li>invites service providers to send the CVs of key personnel who have the skills required</li> </ul>	<p>During the Prepare phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>develops an agency profile</li> <li>prepares a business outcomes brief</li> <li>establishes key selection criteria and priorities</li> <li>reviews supplier information in the Marketplace and shortlist service providers could meet the business outcomes</li> <li>invites the service providers to participate in an initial workshop to brief on business outcomes sought, validate any assumptions made, and gauge interest from service providers</li> <li>sends business outcomes brief to interested service providers</li> </ul>
Discover	<p>This only applies to complex competitive process.</p> <p>During the Discover phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>evaluates further information provided by service providers</li> <li>conducts workshops with selected service providers if required</li> <li>carries out other due diligence based on nature of services if required.</li> </ul>	<p>During the Discover phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>reviews the CVs received</li> <li>interviews selected personnel</li> <li>checks references</li> <li>if required, obtains criminal records /security clearance certification of selected personnel</li> </ul>	<p>During the Discover phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>receives responses to business outcomes brief</li> <li>assesses responses based on pre-determined criteria</li> <li>selects preferred service provider (if relevant, first preferred and second preferred service providers)</li> <li>provides sufficient detail on the desired business outcomes and agency information to service providers prior to a detailed workshop</li> <li>conducts workshops with preferred service provider/s to review and discuss service offerings and proposals (depending on the service, it could be a simple solution demo)</li> <li>requests refined service and price offerings from service provider/s to complete the final selection evaluation</li> </ul>
Select	<p>During the Select phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>selects their preferred service provider to proceed</li> <li>Delegated Financial Authority (based on agency profile in Marketplace) approves the purchase</li> </ul>	<p>During the Select phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>selects the preferred service provider to proceed</li> <li>discuss and agree with the preferred service provider on pricing model (e.g. time and material, fixed price or discount for longer contract term)</li> <li>uses the agency's internal processes to gain approval</li> </ul>	<p>During the Select phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>uses the evaluation of refined service and price offerings against agency criteria and priorities</li> <li>selects their preferred service provider to proceed</li> <li>uses the agency's internal processes to gain approval</li> </ul>
Contract	<p>During the Contract phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>executes (click to accept terms) relevant Agency Purchase Agreement</li> <li>provides debrief to unsuccessful service providers (only applies to complex competitive process)</li> </ul>	<p>During the Contract phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>executes relevant Agency Purchase Agreement</li> <li>provides debrief to unsuccessful service providers</li> </ul>	<p>During the Contract phase, the Participating Party:</p> <ul style="list-style-type: none"> <li>signs relevant Agency Purchase Agreement</li> <li>provides debrief to unsuccessful service providers</li> </ul>