# **Specification – Service Statement of requirements**

The statement of requirement for service orientated procurement should detail the following:

* outputs to be delivered;
* performance measures and targets;
* contract management requirements;
* sale of assets and transfer of personnel (if applicable); and
* transition process from and to another service provider (if applicable).

## Outputs

An output must be:

* one or more services (not activities and associated products) provided to customers;
* measurable and achievable within a specified time frame; and
* significant to the achievement of government policy objectives.

Having to specify and measure outputs and their costs more precisely, will lead to:

* a greater focus on customer needs;
* more efficient and effective use of resources;
* clearer accountability of suppliers and organisation managers for their performance;
* unit costing of outputs;
* benchmarking of output performance measures; and
* a climate of continuous improvement.

By defining the outputs clearly in the specification the organisation can;

* understand what it is funding and what it will get for its money in terms of cost, quantity, quality and timing; and
* effectively compare between the performance of actual and potential suppliers.

## Performance measures

Performance measures are quantifiable *units* of measurement used to assess the extent to which the provision of outputs has been achieved.

Outputs should be evaluated using the following performance measures:

* **Quantity**: how much or how many (units of measure);
* **Quality:** how good, how appropriate (units of benefit);
* **Timeliness:** the frequency and promptness. This might include turnaround times, waiting times or response times;
* **Cost**: unit cost or total cost;
* **User satisfaction:** the level of customer satisfaction regarding any of the above, as well as their specific requirements; and
* **Continuous improvement:** rates of improvement in any of the above measures over time.

A performance measure should:

* help to make comparisons between:
	+ similar outputs delivered by other providers; or
	+ the organisation’s own performance over time.
* be based on data which can be collected and reported on;
* enable assessment of how successfully the output has been delivered;
* make it clear who is accountable for:
	+ delivery of the output; and
	+ reporting against the measures/targets.

## Targets

Targets are specific measures (quantity, quality, cost, and timeliness or user satisfaction) of an output. They should be achievable but challenging enough to encourage improved performance and provide benchmarks for continuous improvement. When performance is measured against clear targets, achievement of those targets is more probable and accountability much greater.

The consequences of meeting, exceeding or missing targets may be tied to payment, bonuses, rebates, and potentially, continuation of the contract.

Targets should be based on one or more of the following:

* the current performance, when supply is considered to be efficient and effective;
* the current performance plus a percentage increase;
* national, state, or industry performance averages;
* benchmarking (government or industry best practice);
* technical standards established by professional associations; and
* management decisions based on resource and staffing limitations.

## Contract management

The specification must state the level of contract management that will take place and what the supplier needs to do to facilitate the internal management of the contract. This will include:

* the authority the contract manager will have in dealings with the successful supplier;
* the reporting process (the information required in reports, and the frequency and format of reports;
* the targets and performance measures used; and
* the nature and level of access to the supplier’s records required to conduct a performance audit.

## Transition

How will the project be transitioned to the supplier at the commencement of the contract, and transitioned at the end of the contract, either to the organisation or to another supplier? Final details of the transition process may be settled during the contract negotiation stage.

For more complex procurement a transition management plan may become a key element of the procurement. Transition matters may become considerations in the assessment of value for money being offered

## Using this tool

This tool accompanies the [Specification writing - Goods and services procurement guide](https://www.buyingfor.vic.gov.au/specification-writing-goods-and-services-procurement-guide)

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