

SCHEDULE 9

Call-Off Schedule 16 (Benchmarking)

1. DEFINITIONS

1.1 In this Schedule, the following expressions shall have the following meanings:

"Benchmarker"	the individual or company selected in accordance with this Schedule;
"Benchmark Review"	a review of the <i>service</i> carried out in accordance with this Schedule to determine whether the <i>service</i> represent Good Value;
"Benchmarked Deliverables"	any <i>service</i> included within the scope of a Benchmark Review pursuant to this Schedule;
"Benchmarked Rates"	the Prices for Benchmarked Deliverables;
"Comparable Rates"	the Prices for Comparable Deliverables;
"Comparable Deliverables"	services that are identical or materially similar to the Benchmarked Deliverables (including in terms of scope, specification, volume and quality of performance) provided that if no identical or materially similar <i>services</i> exist in the market, the <i>Service Provider</i> shall propose an approach for developing a comparable <i>service</i> benchmark;
"Comparison Group"	a sample group of organisations providing Comparable Deliverables which consists of organisations which are either of similar size to the <i>Service Provider</i> or which are similarly structured in terms of their business and their service offering so as to be fair comparators with the <i>Service Provider</i> or which are best practice organisations;
"Equivalent Data"	data derived from an analysis of the Comparable Rates and/or the Comparable Deliverables (as applicable) provided by the Comparison Group;
"Good Value"	that the Benchmarked Rates are within the Upper Quartile; and
"Upper Quartile"	in respect of Benchmarked Rates, that based on an analysis of Equivalent Data, the Benchmarked Rates, as compared to the Comparable Rates, are within the top 25% in

	terms of best value for money for the recipients of Comparable Deliverables.
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2. When you should use this Schedule

2.1 The *Service Provider* acknowledges that the *Client* wishes to ensure that the *services* represent value for money to the taxpayer throughout the Contract Period.

2.2 This Schedule sets out processes to ensure the contract represents value for money throughout the Service Period and that the *Client* may terminate the contract in accordance with clause 91.2 the *Service Provider* if the *Service Provider* refuses or fails to comply with its obligations as set out in Paragraph 3 of this Schedule.

3. Benchmarking

3.1 How benchmarking works

3.1.1 The *Client* and the *Service Provider* recognise that, where specified in Framework Schedule 4 (Framework Management), the *Client* may give CCS the right to enforce the *Client's* rights under this Schedule.

3.1.2 The *Client* may, by written notice to the *Service Provider*, require a Benchmark Review of any or all of the *services*.

3.1.3 The *Client* shall not be entitled to request a Benchmark Review during the first six (6) Month period from the Contract Date or at intervals of less than twelve (12) Months after any previous Benchmark Review.

3.1.4 The purpose of a Benchmark Review will be to establish whether the Benchmarked Deliverables are, individually and/or as a whole, Good Value.

3.1.5 The *services* that are to be the Benchmarked Deliverables will be identified by the *Client* in writing in the notice referred to in paragraph 3.1.2 above.

3.1.6 Upon its request for a Benchmark Review the *Client* shall nominate a Benchmarker. The *Service Provider* approves the nomination within ten (10) Working Days unless the *Service Provider* provides a reasonable explanation for rejecting the appointment. If the appointment is rejected then the *Client* may propose an alternative Benchmarker and the process in this paragraph 3.1.6 is repeated. If the Parties cannot agree the appointment within twenty (20) days of the initial request for Benchmark Review then the *Client* applies in writing to the Chartered Institute of Financial Accountants with a request to nominate a person to act as a Benchmarker and

the person nominated by the Chartered Institute of Financial Accountants acts as Benchmarker.

- 3.1.7 The cost of engaging a Benchmarker shall be borne by the *Client* (provided that each Party shall bear its own internal costs of the Benchmark Review) except where the Benchmark Review demonstrates that the Benchmarked Service and/or the Benchmarked Deliverables are not Good Value, in which case the Parties shall share the cost of the Benchmarker in such proportions as the Parties agree (acting reasonably). The Parties agree that the Benchmarker shall be instructed to raise invoices against the *Service Provider* and the *Client* reimburses the relevant portion.

3.2 Benchmarking Process

- 3.2.1 The Benchmarker shall produce and send to the *Client* and *Service Provider*, for Approval, a draft plan (the “**Benchmarking Plan**”) for the Benchmark Review which must include:
- (a) a proposed cost and timetable for the Benchmark Review;
 - (b) a description of the benchmarking methodology to be used which must demonstrate that the methodology to be used is capable of fulfilling the benchmarking purpose; and
 - (c) a description of how the Benchmarker will scope and identify the Comparison Group.
- 3.2.2 The Benchmarker, acting reasonably, shall be entitled to use any model to determine the achievement of value for money and to carry out the Benchmark Review provided always that the same is set out in a draft Benchmarking Plan and receive the prior written approval of the Parties.
- 3.2.3 The *Client* gives notice in writing to the Benchmarker and *Service Provider* within ten (10) Working Days after receiving the draft Benchmarking Plan, advising the Benchmarker and the *Service Provider* whether it Approves the draft Benchmarking Plan, or, if it does not approve the draft Benchmarking Plan, suggesting amendments to that plan (which must be reasonable). If amendments are suggested then the Benchmarker must produce an amended draft Benchmarking Plan and this Paragraph 3.2.3 shall apply to any amended draft Benchmarking Plan.
- 3.2.4 Once both Parties have approved the draft Benchmarking Plan the Client notifies the Benchmarker. No Party may unreasonably withhold or delay its Approval of the draft plan.

3.2.5 Once it has received the Approval of the draft Benchmarking Plan, the Benchmarker shall:

- (a) finalise the Comparison Group and collect data relating to Comparable Rates. The selection of the Comparable Rates (both in terms of number and identity) shall be a matter for the Benchmarker's professional judgment using:
 - (i) market intelligence;
 - (ii) the Benchmarker's own data and experience;
 - (iii) relevant published information; and
 - (iv) pursuant to Paragraph 3.2.6 below, information from other suppliers or purchasers on Comparable Rates;
- (b) by applying the adjustment factors listed in Paragraph 3.2.7 and from an analysis of the Comparable Rates, derive the Equivalent Data;
- (c) using the Equivalent Data, calculate the Upper Quartile;
- (d) determine whether or not each Benchmarked Rate is, and/or the Benchmarked Rates as a whole are, Good Value.

3.2.6 The *Service Provider* shall use all reasonable endeavours and act in good faith to supply information required by the Benchmarker in order to undertake the Benchmark Review. The *Service Provider* agrees to use its reasonable endeavours to obtain information from other suppliers or purchasers on Comparable Rates.

3.2.7 In carrying out the Benchmark Review the Benchmarker may have regard to the following matters when performing a comparative assessment of the Benchmarked Rates and the Comparable Rates in order to derive Equivalent Data:

- (a) the contractual terms and business environment under which the Comparable Rates are being provided (including the scale and geographical spread of the customers);
- (b) the output and outcomes that are being achieved, recognising that effective benchmarking needs to reflect the balance of the input resources and the quality and volume of outputs and outcomes achieved;
- (c) exchange rates; and
- (d) any other factors reasonably identified by the *Service Provider*, which, if not taken into consideration, could unfairly cause the *Service Provider's* pricing to appear non-competitive.

3.3 Benchmarking Report

- 3.3.1 For the purposes of this Schedule "**Benchmarking Report**" shall mean the report produced by the Benchmarker following the Benchmark Review and as further described in this Schedule;
- 3.3.2 The Benchmarker shall prepare a Benchmarking Report and deliver it to the *Client*, at the time specified in the plan Approved pursuant to Paragraph 3.2.3, setting out its findings. Those findings shall be required to:
- (a) include a finding as to whether or not a Benchmarked Service and/or whether the Benchmarked Deliverables as a whole are, Good Value;
 - (b) if any of the Benchmarked Deliverables are, individually or as a whole, not Good Value, specify the changes that would be required to make that Benchmarked Service or the Benchmarked Deliverables as a whole Good Value; and
 - (c) include sufficient detail and transparency so that the *Client* can interpret and understand how the *Service Provider* has calculated whether or not the Benchmarked Deliverables are, individually or as a whole, Good Value.
- 3.3.3 The Parties agree that any changes required to the contract identified in the Benchmarking Report shall be implemented at the direction of the *Client*, in its absolute discretion, in accordance with Clause 14.3 of the contract.