



Defence
Infrastructure
Organisation

Call-Off Schedule 16

Benchmarking

Built Estate

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CALL-OFF SCHEDULE 16

BENCHMARKING

1. GENERAL

- 1.1 The Supplier acknowledges that the Buyer wishes to ensure that the Deliverables represent value for money to the taxpayer throughout the Contract Period.
- 1.2 This Schedule sets out processes to ensure that the Contract represents value for money throughout the Contract Period. Any refusal by or failure of the Supplier to comply with its obligations in this Schedule shall constitute a material default by the Supplier and the Buyer may terminate the Contract in accordance with clause 10.4 of the Core Terms.

2. BENCHMARKING

2.1 Frequency, Purpose, Cost, Nomination and Scope of Benchmark Review

- 2.1.1 The Buyer may, by written notice to the Supplier, require a Benchmark Review of any or all of the Deliverables.
- 2.1.2 The Buyer shall not be entitled to request a Benchmark Review during the first twelve (12) Month period from the Effective Date or at intervals of less than twelve (12) Months after any previous Benchmark Review.
- 2.1.3 The purpose of a Benchmark Review will be to establish whether the Benchmarked Deliverables are, individually and/or as a whole, Good Value.
- 2.1.4 The Deliverables that are to be the Benchmarked Deliverables will be identified by the Buyer in writing in the notice referred to in Paragraph 2.1.1 above.
- 2.1.5 The Buyer's request for a Benchmark Review shall nominate a Benchmarker. The Supplier shall be deemed to approve the Benchmarker nominated by the Buyer unless the Supplier provides a reasonable explanation objecting to their appointment within ten (10) Working Days of the date of the Buyer's request. If the Supplier objects to the appointment of the Benchmarker nominated by the Buyer then the Buyer may propose an alternative Benchmarker. If the Parties cannot agree on the identity of the Benchmarker within twenty (20) Working Days of the initial request for a Benchmark Review, the Buyer may apply in writing to the Institute of Financial Accountants with a request to nominate a person to act as Benchmarker and the person nominated by the Institute of Financial Accountants shall act as Benchmarker.
- 2.1.6 The cost of a Benchmarker shall be borne by the Buyer and each Party shall bear its own internal costs of the Benchmark Review.

2.2 Benchmarking Process

2.2.1 The Benchmarker shall produce and send to the Buyer and Supplier, for approval, a draft Benchmarking Plan (“Benchmarking Plan”) for the Benchmark Review which is to 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.

2.2.2 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 receives the prior written approval of the Parties.

2.2.3 The Buyer and the Supplier must give notice in writing to the Benchmarker (with a copy to the other Party) within ten (10) Working Days after receiving the draft Benchmarking Plan, advising the Benchmarker whether it approves the draft Benchmarking Plan or, alternatively, suggesting reasonable amendments. If amendments are suggested, then the Benchmarker must produce an amended the draft Benchmarking Plan and re-submit it to the Parties for approval. This process shall be repeated until a draft Benchmarking Plan has been approved in writing by both Parties.

2.2.4 Not used.

2.2.5 Once it has received both Parties’ written approval of the 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 2.2.7 below, information from other suppliers or purchasers on Comparable Rates;
- (b) by applying the adjustment factors listed in Paragraph 2.2.7 and from an analysis of the Comparable Rates, derive the Equivalent Data;
- (c) using the Equivalent Data, calculate the Upper Quartile – being the top 25%;
- (d) determine whether or not each Benchmarked Rate is, and/or the Benchmarked Rates as a whole are, Good Value.

- 2.2.6 The Supplier shall use all reasonable endeavours and act in good faith to supply information required by the Benchmarker in order to undertake the Benchmark Review.
- 2.2.7 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 buyers);
 - (b) the outputs 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 Supplier, which, if not taken into consideration, could unfairly cause the Supplier's pricing to appear non-competitive.

2.3 **Benchmarking Report:**

- 2.3.1 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.
- 2.3.2 The Benchmarker shall prepare a Benchmarking Report and deliver it to the Buyer and Supplier at the time specified in the approved Benchmarking Plan, setting out its findings. Those findings shall be required to:
- (a) include a finding as to whether or not 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 the Benchmarked Deliverables as a whole Good Value; and
 - (c) include sufficient detail and transparency so that the Buyer can interpret and understand how the Benchmarker has calculated whether or not the Benchmarked Deliverables are, individually or as a whole, Good Value.
- 2.3.3 The Parties agree that any changes required to this Contract identified in the Benchmarking Report shall be implemented at the direction of the Buyer in accordance with Core Terms Clause 24 (Changing the contract).
- 2.3.4 The Benchmarking Report may recommend a Recompense Request, as described in Schedule 15 (Contract Management), if:
- (a) Good Value has not been achieved; and

- (b) There is a significant deviation of more than 30% from Good Value; providing that:
- (c) Any such Recompense Request addresses only the period from the last Benchmarking Report or the previous 12 months, whichever is the later.