



Government  
Commercial  
Function

# BENEFITS MEASUREMENT

Guidance Note

MAY 2021

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# 1. Introduction

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## 1.1. Issue

This Guidance Note sets out the four minimum requirements that departmental commercial teams must meet when measuring the realisation of commercial benefits for in-scope procurements.

These are:

- Commercial benefits and how they will be measured (e.g. contractual KPIs, internal departmental KPIs) are captured on the Benefits Register as part of drafting the business case;
- An initial benefits review is undertaken at the 12-month stage of contract delivery, and every 12 months thereafter (as a minimum) on a 'comply or explain basis';
- Up to date benefits reports are maintained for each contract, and made available upon request; and
- A sample of 'complex outsourcing' contracts undergo an external (outside of the department) review.

Further, the Guidance Note:

- defines 'commercial benefits';
- sets out the key roles involved in meeting these requirements;
- provides templates to be used to deliver the requirements; and
- provides detail of what the new requirements are.

## 1.2. Dissemination

The contents of this Guidance Note apply to all Central Government Departments, their Executive Agencies and Non-Departmental Public bodies. Contracting Authorities within the wider public sector are also encouraged to apply this advice.

## 1.3. Timing and scope

This Guidance Note applies to all new procurements that constitute outsourcing and have an expected contract value exceeding the relevant public contract regulation threshold

## 1.4. Contact

Enquiries about this Guidance Note should be directed to the Sourcing Programme team at [sourcing.programme@cabinetoffice.gov.uk](mailto:sourcing.programme@cabinetoffice.gov.uk)

## 2. Commercial Benefits Overview

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### 2.1. Background

Monitoring benefits realisation is a critical aspect of policy delivery, and gives an indication of whether a government policy is on track to achieve its intended aims and objectives.

In many cases, successful contract delivery and realisation of the 'commercial benefits' during contract delivery is an integral part, if not the most important part of this.

As such, effective commercial monitoring of whether the intended 'commercial benefits' are being delivered during contract delivery must be in place.

### 2.2. What do we mean by 'commercial benefits'

Commercial benefits are those that materialise during contract implementation (otherwise known as 'intermediate benefits'<sup>1</sup>) and that specifically result in commercial outcomes. They are benefits that materialise as a result of pursuing a selected commercial approach. This might be a decision to outsource a service that was previously delivered in house, or the decision to update an existing contract model when designing new procurement activity.

They do not refer to the longer term, post contract, strategic benefits a policy might be trying to achieve (e.g. increased economic output, improved health and wellbeing, reduced unemployment, etc).

Examples of Commercial Benefits include:

- Cost savings that materialise in comparison to taking a 'do nothing' option;
- Cost savings that materialise in comparison to delivering something 'in house';
- Cost savings that materialise in comparison to a previous way of doing things;
- Improved contractual performance outcomes as a result of a selected commercial approach;
- Increased customer satisfaction levels, directly attributable to service delivery; and
- Increased innovation or continuous improvement, in how things are done.

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<sup>1</sup> Page 53 -

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/671452/Guide\\_for\\_Effective\\_Benefits\\_Management\\_in\\_Major\\_Projects.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/671452/Guide_for_Effective_Benefits_Management_in_Major_Projects.pdf)

## 2.3. Roles and responsibilities

**Government Department:** The accountability for managing commercial benefits resides with the government department that has issued the associated contract. No responsibility is transferred away from the government department as a result of any external assurance activity that takes place.

**Senior Responsible Owner (SRO):** As set out in HMT's 'Guide to Developing the Project Business Case' the SRO for the contract (or the project/programme which the contract is a part of) is ultimately responsible for benefits delivery.

**Commercial Lead:** A Commercial Lead is identified to take ownership of measuring progress towards realising the commercial benefits of the contract. They are also responsible for compiling benefits reports and presenting updates on the commercial benefits when benefit reviews are undertaken.

**Cabinet Office Commercial Continuous Improvement Team (CCIT):** CCIT undertake external assurance activity to get a cross-government view, that benefits are being effectively delivered through reviewing a sample of selected contracts and undertaking analysis of data provided by government departments (see 'Requirement 4' for further information).

## 2.4. Key documents

This section provides the IPA's current descriptions of the key documents government departments need to use to implement these requirements. It is recommended that the latest

IPA templates for these documents are used. The latest versions of the templates are provided as annexes to this guidance. These are updated from time to time and uploaded to the Benefits Management Specialists Knowledge Hub site<sup>2</sup> (you will need to register as a user to access this site). Departments should refer to the site to ensure they are always using the latest templates.

**Benefits Register:** Typically an Excel spreadsheet that includes line items of each benefit, a short description, the objective the benefit links/contributes to, the Benefit Owner, the beneficiaries, the baseline, target and measurement methodology. The Benefits Register is the collection of all benefits and relevant information, the details of which are broken out into separate Benefit Profiles for the Benefits Owners.

**Benefits Report:** A report produced at an agreed frequency demonstrating the realisation of benefits to date, usually comparing the baseline, target and actuals. It is important that any data provided has sufficient narrative to explain additional context and rationale to explain whether performance is as planned.

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<sup>2</sup> Knowledge Hub is an online forum. A Government Project Delivery Community has been developed for the sharing of knowledge, guidance and ideas. The Benefits Management Specialists group (<https://www.khub.net/group/govpdc-benefits>) sits within the GovPDC and access is granted via request.

## 3. Minimum requirement for measuring commercial benefits

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### **3.1. Requirement 1: Commercial benefits and how they will be measured (e.g. contractual KPIs, internal departmental KPIs) are captured on the Benefits Register as part of drafting the business case**

Requirements 2, 3 and 4 set out in this guidance rely on the intended commercial benefits being clearly recorded in a Benefits Register, which is produced as part of the business case and justifies the requirement for the contract<sup>3</sup>.

As part of their involvement in the development of the benefits register, the Commercial team identifies which of the benefits are to be specifically categorised as commercial benefits.

As well as categorising which benefits are commercial, the Commercial team also identifies how these benefits will be measured. To ensure contract delivery is aligned with the intended benefits, in a lot of cases it is appropriate to measure the benefits through setting relevant contract KPIs and monitoring supplier performance against these (see chapter 5 of the [Sourcing Playbook](#)). It may also be appropriate to set internal departmental KPIs linked to the benefits identified with awarding a contract, to be monitored internally within the department.

Clearly identifying the commercial benefits on the benefits register and how they will be measured ensures the incoming Commercial Lead knows what they will be responsible for managing.

### **3.2. Requirement 2: An initial benefits review is undertaken at the 12 month stage of contract delivery, and every 12 months thereafter (as a minimum) on a ‘comply or explain basis’**

HMT’s ‘Guide to developing the Project Business Case’ stipulates that at the FBC stage of the business case development; “it should be confirmed that the benefits register will be reviewed regularly and form part of the standing agenda for future project boards.”<sup>4</sup> This

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<sup>3</sup> Pages 23 (SOC), 79 (OBC) and page 93 (FBC) -

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/749086/Project\\_Business\\_Case\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf)

<sup>4</sup> Page 93:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/749086/Project\\_Business\\_Case\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf)

guidance requires that for each contract, this is done as a minimum at the 12-month stage of contract delivery and every 12 month stage thereafter on a 'comply or explain basis'.

For some contracts the first review happening at the 12-month stage may be too soon, e.g. if the implementation phase is expected to last longer than 12 months. Such circumstances would need to be explained if questioned during an assurance review. Other contracts may decide to review the realisation of benefits more regularly, and this is encouraged, if appropriate to the contract.

Whilst HMT Guidance refers to 'project boards' as the vehicle for such reviews to be undertaken, there may be similar boards within your existing governance structures that you decide may be appropriate for this review to take place. However the 'owner' of the commercial benefits (the Commercial Lead), and the SRO who is ultimately responsible for benefits delivery, must be present at the review.

In preparation for the benefits review, if appropriate, you may also wish to consult your supplier on progress against realising commercial benefits, to provide them with the opportunity to input into review activity, and give a richer insight into the progress being made towards achieving the intended benefits.

### **3.3. Requirement 3: Up to date benefits reports are maintained for each contract, and made available upon request**

As an output of the benefits review activity, progress against each anticipated commercial benefit is recorded on a benefits report, to set out the actual commercial benefits realised versus the forecast commercial benefits, at that stage of the contract.

The benefits report should clearly detail what actions are being taken following the review activity, particularly in instances where benefits aren't being realised as forecast.

The government department may be required to provide latest versions of its benefits reports, as may be required from time to time by the Cabinet Office Commercial Continuous Improvement Team (CCIT), (see 'External assurance activity' section below).

### **3.4. Requirement 4: A sample of 'complex outsourcing' contracts undergo an external (outside of the department) review**

All contracts subject to Cabinet Office Commercial controls<sup>5</sup> (which in the main, are those that are £10m and above) may be selected to undergo additional assurance activity during contract delivery to be undertaken by CCIT, to provide government wide visibility that commercial benefits are being monitored effectively (and as recommended in this guidance) during contract delivery. This is done using their existing Commercial Reviews. If this assessment identifies areas that require further investigation, further more in depth reviews may be undertaken by CCIT in agreement with the Department.

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<sup>5</sup> <https://www.gov.uk/government/collections/cabinet-office-controls>

**IMPORTANT:** The results from the assurance activities undertaken by CCIT serve to provide an indicator of whether commercial benefits are being monitored effectively across government. Having a contract selected to undergo, or complete, a CCIT review does not absolve any accountability from the government department of the contract or the SRO for measuring and delivering benefits effectively. The accountability for monitoring the realisation of commercial benefits always remains with the government department.

Furthermore, for all contracts subject to Cabinet Office controls, departments may be required to provide the latest version of their benefits reports, as may be required by CCIT from time to time, to assist the on-going, government wide, monitoring and analysis of commercial benefits being realised from outsourcing activities.

Monitoring the realisation of commercial benefits is part of the [Government Commercial Functional Standard \(GovS 008\)](#). Accordingly government departments are required to review their performance in this area and explain how they intend to improve or maintain this as part of the department's overall self-assessment against GovS 008.