

APPENDIX 2 – BENEFITS REALISATION PLAN – PROGRESS AFTER YEAR 3 (2011/12)

Benefit No.	Description	Eight Year Value target (£m)	Status (RAG)	Commentary
BR1	Continuous improvement measured through Performance Management Framework linked to Departmental performance indicators that contribute to the Corporate aims.	Qualitative	Amber	<p>Whilst most performance indicator targets have continued to be met, there have been a number of notable exceptions in Year 3 relating to customer feedback on programmed schemes and isolated failures in responding to high priority call outs.</p> <p>Whilst the customer feedback data is disappointing as it has fallen below the levels achieved in Year 2 this is in contradiction to the significant reduction (27%) in customer complaints attributable to the contractor.</p> <p>For the priority call outs, Colas have introduced improved management arrangements to address this failure.</p>
BR2	Improved management of risk – savings arising from effective risk management.	1.16	Amber	<p>Regular, ‘macro/micro’ risk management review within the contract governance is maintaining a strong focus on acting on high risks. The contract risks are well managed through a contractual requirement to issue, and then promptly resolve, Early Warning notices between the parties.</p> <p>End of Year 3 cumulative risk saving, measured annually, stands at £1.75M. The value of risk after Year 3 was £1.05 M compared with £1.2M in March 2011, £0.8M in March 2010, and £1.8M at contract commencement. Whilst there was no increase over 2010/11, the risk value assigned to the dispute has left the value of risk relatively high.</p>
BR3	Capital savings	2.64	Green	Achieved for 2011/12, and remaining on track.
BR4	Revenue savings	1.76	Green	Achieved for 2011/12, and remaining on track

BR5	1.5% Gershon efficiency savings	1.00	Green	The Contract is subject to an index-based formula (in accordance with Baxter Indices) to calculate the annual inflation to be applied within the contract, rather than the Retail Price Index, particularly due to the emphasis on work involving bituminous materials; prices for which are linked to oil prices. This efficiency saving helps to offset those increases. Achieved for 2011/12, and remaining on track.
BR6	Income generation and cost saving through the potential disposal of depots.	0.93	Green	Colas moved into their new Depot on Prenton Way early in 2010/11, thereby releasing the Council depot which is presently leased to Wirral Partnership Homes.
BR7	Cost Saving through client staff reduction	1.36	Green	<p>Significant planned savings secured in 2009/10 and 2010/11 totalling £253,000. The 2010/11 EVR/Severance exercise further reduced the client staff numbers directly associated with the contract with approximate savings of £338,000.</p> <p>Total budget savings to date £518,000. Cumulative savings after Year 3 is approximately £698,000. The cumulative value of savings forecast over 8 years is £3.045M, reduced from last year due to planned introduction of additional financial support to the Contract Management Team.</p>
BR8	Additional savings from ICT rationalisation and the introduction of a single integrated asset management facility.	0.25	Red	A procurement exercise in 2010/11 has demonstrated that the cost of procuring a single integrated asset management system was not offering good value for money. A revised strategy was agreed by Cabinet in March 2012. This includes a review of the requirements and affordability of an integrated system as part of the preparation for the successor service arrangements after the end of the current contract.