

**COMMUNITIES,
LOCALITIES &
CULTURE**

**SAVINGS PROPOSALS
BUDGET 2010/11- 2012/13**

Item Ref. No:
SAV/ /

TITLE OF SAVING OPTION: Leisure Management Contract Efficiency Savings

DIRECTORATE: CLC

SERVICE AREA: Sport and Physical Activity **LEAD OFFICER:** Heather Bonfield

FINANCIAL INFORMATION:

	Current Budget	Saving £000s		
	2009/10 £000	2010/11	2011/12	2012/13
General Fund		200	200	200
HRA				
Other				
Implementation Cost (see below)				
TOTAL		200	200	200

1. **Outline/ details of saving proposal**, including indications of stage of development, and work and timescales needed to finalise proposal:

Following a detailed review of the Leisure Management Contract conditions (managed on behalf of the Council by GLL) undertaken by Atlantic solutions, negotiations have taken place with GLL in relation to the Profit Share element of the contract. These negotiations have proved beneficial to the Council with agreement by the contractor to alter the profit share allocations from 2009/10, resulting in the Council having access to 75% of any surplus accruing, compared to the previous agreement which gave the Council access to only 25%. A recent review of contract performance has identified that from 2008/9 the contract is projecting to return a surplus which is estimated to provide an incremental benefit to the Council of approx £200k pa from 2010/11. As a consequence it is proposed that £230k saving can be utilised from the surplus to reduce the management fee from 2010 onwards.

2. **Service implications of saving:**

There are no specific service implications arising from the revised contractual arrangements.

3. **Actions required to achieve saving:**

Negotiations with contractor have been completed signed agreement from Managing Director, deed of variation in preparation. New conditions operative for 2009/10 Financial Year.

Resource	Nature of costs including whether revenue	Cost of	Of which, from
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requirement for implementation (if any)	or capital	implementation £000s	within existing resources £000s
In 2009/10			
In 2010/11			

Provide further detail on nature and any costs of implementation

No additional costs.

Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.

As at March 2010	End of trading year annual surplus to be calculated.
As at September 2010	
As at March 2011	
As at September 2011	
As at 1 st April 2012	

Anticipated date for full implementation:

April 2010

Implementation Risks/ Issues including management/ mitigation issues

The increasing costs of energy and downturn in the economy may impact on the short and mid-term sustainability of a continued surplus in line with Atlantic Solutions projections for continued surplus. If the surplus reduces then the saving could be achieved by considering other related options e.g. reducing the operational hours of leisure centers and reviewing pricing policy.

Payback calculation (where applicable):**4. Potential implications for staff, contractors, partners, assets and other Directorates:**

No specific implications

5 Other risk factors which could prevent this saving being achieved following implementation

GLL cease trading and the contract is required to be re-tendered. This is an unlikely scenario.

6 Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

Cost per user will be reduced. The service currently has a subsidy of £1.07 per user which is a mid range London position and represents good performance has Tower Hamlets offers a range of concessions for hard to reach groups.

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TITLE OF SAVING OPTION: Management of Estate Parking Enforcement

DIRECTORATE: CLC

SERVICE AREA: Environmental Control **LEAD OFFICER:** John Chilton

FINANCIAL INFORMATION:

	Current Budget	Saving £000s		
	2009/10 £000	2010/11	2011/12	2012/13
General Fund		360	360	360
HRA				
Other				
Implementation Cost (see below)				
TOTAL		360	360	360

1. **Outline/ details of saving proposal**, including indications of stage of development, and work and timescales needed to finalise proposal:

In the last 12 months the Parking service has expanded its enforcement role to undertake the management of estate parking for a number of RSL's within the Borough, which include Poplar HARCA, East End Homes, THCH, and Swan. The management agreement is based on a management fee for provision of the service plus fee income from removals and parking notices.

Opportunities to extend the service are currently under investigation, with a further 2 RSL's currently expressing interest. Management of Parking Enforcement for RSL's in 2008/09 resulted in net income of approximately £300k which was contributed to the Parking Control Account and a similar level of income is anticipated in future years.

2 **Service implications of saving:**

Restructure of Parking Service underway to streamline and improve efficiency of service delivery via the combination of estate parking and abandoned vehicle service management.

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3. Actions required to achieve saving:

Formation of group to tender for or negotiate RSL contracts and costings.
Consider increasing permit and ground works charges to RSL.
Actively seek RSL partnerships.

Resource requirement for implementation (if any)	Nature of costs including whether revenue or capital	Cost of implementation £000s	Of which, from within existing resources £000s
In 2009/10			
In 2010/11			

Provide further detail on nature and any costs of implementation

Possible increase in appeals will be dealt with via existing resources.

Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.

As at March 2010	New contracts let. RSL contracts negotiated.
As at September 2010	Pound issue resolved.
As at March 2011	
As at September 2011	
As at 1 st April 2012	

Anticipated date for full implementation:

April 2010

Implementation Risks/ Issues including management/ mitigation issues

Vehicle Removal Contract is due for re-tendering and therefore:

- Possible change of contractor leads to loss of income during bedding in period and additional staff input needed on training.

Mitigation. Ensure that new contract and specification clearly states what is required of the contract. Seek contract initiation plan as part of the tendering exercise

Payback calculation (where applicable):

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Review of Parking Service aims to streamline current methods of service delivery and may result in structural changes.

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5.	Other risk factors which could prevent this saving being achieved following implementation
	<ul style="list-style-type: none"> • Local political decision making resulting in RSLs withdrawing from contracts. • Compliance levels rise resulting in lower income levels where income is dependent on activity.
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
	<p>Review of Parking Service is aimed at streamlining structure and more cost effective service delivery of which estate parking is a significant element.</p>

DEVELOPMENT & RENEWAL

**SAVINGS PROPOSALS
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Item Ref. No:
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TITLE OF SAVING OPTION: Energy Services

DIRECTORATE: Development and Renewal

SERVICE AREA: Asset Management **LEAD OFFICER:** Andy Algar

FINANCIAL INFORMATION:

	Current Budget	Saving £000s		
	2009/10 £000	2010/11	2011/12	2012/13
General Fund	100	100	100	100
HRA	154			
Other				
Implementation Cost (see below)				
TOTAL	254	100	100	100

1. **Outline/ details of saving proposal**, including indications of stage of development, and work and timescales needed to finalise proposal:

The Energy Services team transferred from the Housing Revenue Account to the Development and Renewal General Fund on the 1st April 2008. The team's role consists of two key elements: Energy Procurement and Energy Surveying. At the present time there is an SLA with Tower Hamlets Homes for £154,000 (£86,000 Energy Procurement and £68,000 for Energy Surveying). Schools are charged on an annual basis at approximately £200 each.

The Association of London Treasurer's along with the Head of Procurement and Programmes are pushing towards flexible procurement as opposed to spot purchasing as we currently practice. This is for both electricity and gas supplies. The likely cost in engaging a third party procurement agency (through an OGC framework) is approximately £82,000 – £149,000 per annum. This extra expenditure must therefore be passed on to the end client.

The clients involved within the current contract are:

Internal Client i.e. Facilities Management, Social Services, Education, Libraries, Parks and Open Space

Registered Social Landlords – East End Homes, Tower Hamlets Community Housing

Schools – 63 schools along with 20 PFI Schools (Nurseries to Secondary)

Others – Tower Hamlets College, Bethnal Green Technology College, Tower Hamlets Homes, Glenkerry Co-Operative

The proposal is therefore to operate the Energy Procurement function at an anticipated cost of £254,000 (2009/2010 forecast) as a trading account with all the costs being recovered from the clients. The exact mechanism for providing this is yet to be finalised, however based on energy

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consumption, the net impact on the clients is likely to be:

Registered Social Landlords - £47,000 (this is currently not being charged for)
 Schools - £37,259 (£10,000 is currently recovered per annum)
 Internal - £23,629 (this is currently not being charged for, and therefore shall have an impact on other Directorate's general fund).
 Tower Hamlets Homes - £32,147

The Energy Surveying element of the team is anticipated to cost £100,000 in 2009/2010. This element ensures compliance with legislation in providing Energy Certificates for public buildings and Energy Performance Certificates for domestic properties. The authority has a statutory duty to complete these for all its public buildings as soon as possible, and by not fulfilling this role there is a penalty scheme for non compliance.

It is proposed that a unit cost to ensure cost recovery is formulated for both an Energy Survey and an Energy Performance Certificate. The cost of each is like to be £500 - £1,000 and £50 retrospectively.

The Tower Hamlets Homes service level agreement, currently has £68,000 at a fixed price and therefore will have to be reviewed. Based on the anticipated number of voids and Right to Buys this would see a reduction of £33,000 in the SLA value with Tower Hamlets Homes. However, this income can be recovered through the marketing of the service and advertising of the services available to Housing Associations and Schools.

Both steps given above, should ensure the services breaks even, however, there is risk around the Energy Surveying due to buy in from external clients and also resourcing.

In 2009/2010 the team will begin working on the Carbon Reduction Commitment due to come into force in 2010/2011 and this will predominantly be reflected in the Energy Procurement element of the team.

2. Service implications of saving:

There should not be any implication on services within the authority as the services are currently being delivered. There shall however be a financial implication as the Energy Procurement function and Energy Surveying function are provided free of charge to internal and some external clients.

3. Actions required to achieve saving:

Resource requirement for implementation (if any)	Nature of costs including whether revenue or capital	Cost of implementation £000s	Of which, from within existing resources £000s
In 2009/10	Establish revised contracts with clients and set fees and charging		
In 2010/11	Advertising and Marketing / Revision of fees and charging	30	

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Provide further detail on nature and any costs of implementation

Advertising and marketing will be required to promote the services being provided in particular the Energy Surveying element as well as seeking new clients to buy into the authorities Energy Procurement contract.

Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.

As at March 2010	Revised contracts drawn up and fees set
As at September 2010	
As at March 2011	
As at September 2011	
As at 1 st April 2012	

Anticipated date for full implementation:

1st April 2010

Implementation Risks/ Issues including management/ mitigation issues:**Payback calculation (where applicable):****4. Potential implications for staff, contractors, partners, assets and other Directorates:**

The Energy Procurement element of the team is currently provided for free to a number of clients, mainly internal of which this will have an impact on their service financially.

5. Other risk factors which could prevent this saving being achieved following implementation

Current external clients exiting the Energy Procurement contract as well as clients not buying into the Energy Surveying service

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

If the Energy Procurement element is charged based on energy consumption, then we should see a drive down in consumption therefore providing efficiency savings and also contributing toward the Carbon Reduction Commitment.

Through marketing and advertising of the service, this should ensure that the Energy Services charges are in line with private providers and therefore shall drive the service to reduce costs.