



Efficiency and Performance Sub (Finance) Committee

Date: WEDNESDAY, 30 JANUARY 2013
Time: 1.45pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Roger Chadwick (Chairman)
Ray Catt (Deputy Chairman)
Nigel Challis
Deputy Anthony Eskenzi
Sheriff & Alderman Jeffrey Evans
Deputy Revd Stephen Haines
Anthony Llewelyn-Davies
Deputy Edward Lord
Jeremy Mayhew
Deputy Dr Giles Shilson
John Tomlinson

Enquiries: Claire Sherer
tel.no.: 020 7332 1971
claire.sherer@cityoflondon.gov.uk

Lunch for Members will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 14 November 2012.

For Decision
(Pages 1 - 4)
4. **OUTSTANDING ACTIONS**
Report of the Town Clerk.

For Decision
(Pages 5 - 14)
5. **TRIGGER REPORTS**
Joint report of the Deputy Town Clerk and Chamberlain.

For Information
(Pages 15 - 38)
6. **TRANSFORMATION AND EFFICIENCY BOARDS UPDATE**
Joint report of the Deputy Town Clerk and the Chamberlain.

For Information
(Pages 39 - 46)
7. **DEPARTMENT OF COMMUNITY AND CHILDREN'S SERVICES' - PROGRESS AGAINST THE COMMISSIONING STRATEGY**
Report of the Director of Community & Children's Services.

For Information
(Pages 47 - 56)
8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
10. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.
11

Paragraph(s) in Schedule 12A
3

Part 2 - Non-Public Agenda

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 14 November 2012.

For Decision
(Pages 57 - 58)

12. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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Agenda Item 3

EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Wednesday, 14 November 2012

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at Guildhall, EC2 on Wednesday, 14 November 2012 at 1.45pm

Present

Members:

Roger Chadwick (Chairman)
Deputy Anthony Eskenzi
Anthony Llewelyn-Davies
Jeremy Mayhew
John Tomlinson

Officers:

Susan Attard	- Deputy Town Clerk
Claire Sherer	- Town Clerk's Department
Natasha Dogra	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Suzanne Jones	- Business Support Director
Caroline Al-Beyerty	- Financial Services Director
Professor Barry Ife	- Principal, Guildhall School of Music and Drama
Sandeep Dwesar	- Guildhall School of Music and Drama
Peter Martin	- Acting Head of Finance, Chamberlain's Department

In attendance:

Alderman David Graves (Item 9 only)	- Chairman, Board of Governors of the Guildhall School of Music and Drama
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Part 1 - Public Agenda

1. APOLOGIES

Apologies were received from Ray Catt (Deputy Chairman), Nigel Challis, Sheriff & Alderman Jeffrey Evans and Deputy Revd Stephen Haines.

2. DECLARATIONS BY MEMBERS OF ANY PERSONAL OR PREJUDICIAL INTERESTS IN RESPECT OF ANY ITEMS ON THIS AGENDA

There were no declarations.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the public minutes and non-public summary of the meeting held on 18 September 2012 be agreed as an accurate record.

4. **OUTSTANDING ACTIONS**

The Sub Committee considered a schedule of outstanding actions. Members discussed the presentation of the schedule and suggested that a standard template for reporting outstanding actions should be produced for all Committees. This should include a unique reference for each action, a target date for completion and an indication of priority.

Officers informed Members that the Community and Children's Services department Commissioning Strategy update would be considered at the Efficiency and Performance Sub Committee meeting on 30 January 2013. Members requested that this be reflected in the schedule.

The Chamberlain provided an update in relation to the IS review informing Members that, following agreement by the Information Systems Sub Committee and Finance Committee, a major procurement exercise was currently taking place to determine the best and most cost effective way of delivering IS services. This would be conducted through OJEU procedures and would be weighted at 65% quality, 35% price.

Officers informed the Sub Committee that the Improved Co-ordination project had created a more joined up approach across services including improved use of the Corporation's CRM database and use of a centralised Corporation diary.

Members noted that the Guildhall School of Music & Drama items were marked as closed in light of the report at Item 9 on this agenda.

RESOLVED: That the classification of actions as "closed" or "open" (as per the schedule in the report) be approved.

5. **TRANSFORMATION AND EFFICIENCY BOARDS UPDATE**

Members considered an update report on the work of the Transformation Board and the Efficiency Board since the last meeting of the Sub Committee.

With regards to the Transformation Board, the Deputy Town Clerk informed Members that a presentation from the Director of Community and Children's Services on the Commissioning Strategy had been very well received.

The Deputy Town Clerk also informed Members that the following four projects had been approved since the Strategic Opportunities Workshop:

1. "Top 100" Managers – promoting leadership and managerial behaviour and skills. HR were also investigating succession planning for middle management;
2. Demand Management – controlling service requests from colleagues to ensure work is allocated appropriately and completed to a high standard;
3. Digital by Default – for example, using technology to make information more accessible;
4. Ways of Working – for example, enabling better cross-directorate collaboration.

The Deputy Town Clerk advised the Sub Committee that these projects would progress through the City Corporation's approval process and an update would be provided in the New Year. One Member noted that the Demand Management project should consider the possibility of internal recharging.

Members noted the significant progress made within the Department of Community and Children's Services under the current Director and hoped that improvements would continue following her imminent departure.

With regards to the Efficiency Board, the Chamberlain informed Members that the PP2P strategic project in relation to the City of London Procurement Service was on schedule to deliver the three planned waves of work by March 2013.

In respect of the triggers for departmental reporting, the Sub Committee noted that no issues had arisen since they were agreed at the last meeting. However, the National Audit Office was due to issue its next local government study on Financial Stability before Christmas, and the results of Corporation benchmarking studies were also due which may have an impact on the triggers. The Chairman reminded Members that the triggers would be reviewed in six months to ensure they were fit for purpose.

RECEIVED

6. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

7. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

8. EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.	Paragraph(s) in Schedule 12A
9	3
10 – 11	-

Part 2 - Non-Public Agenda

9. FINANCIAL POSITION OF THE GUILDHALL SCHOOL OF MUSIC AND DRAMA

The Sub Committee considered a report on the financial position of the Guildhall School of Music and Drama.

RECEIVED

10. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no non-public questions.

11. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There was no other non-public business.

The meeting ended at 3.18pm

Chairman

**Contact Officer: Claire Sherer
tel.no.: 020 7332 1971
claire.sherer@cityoflondon.gov.uk**

Agenda Item 4

Committee(s):	Date(s):
Efficiency and Performance Sub-Committee	30 January 2013
Subject: Outstanding Actions	Public
Report of: Town Clerk	For Decision
<p>At the 18 September 2012 meeting, Members agreed to receive an updated schedule of outstanding actions at each meeting, with previously agreed closed actions removed.</p> <p>The attached schedule includes all actions that remained open following the last meeting, together with updates from the responsible officers. The format of the schedule has been amended following comments at the last meeting.</p> <p>Recommendation:</p> <p>Members are asked to:</p> <ul style="list-style-type: none">• Agree to the closure of the following items:<ul style="list-style-type: none">– 1.1: Update regarding IS services market testing – this issue is now the subject of regular reporting to the IS sub-Committee.– 2.1: Update regarding the Community and Children’s Services Department Commissioning Strategy – this report is a separate item on the agenda for this meeting– 6.1: Business Planning – estimate reports to service committees now include information from departmental business plans to allow for Member consideration of service and financial planning– 7.1: Update regarding Income Generation Initiatives – An update covering the issues raised by Members is contained at paragraph 14(a) within the Transformation and Efficiency Boards report on the agenda for this meeting	

Neil Davies

Head of Corporate Performance and Development

T: 020 7332 3327

E: neil.davies@cityoflondon.gov.uk

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EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

	Item	Action	Officer responsible and target date	Progress updates	Priority (High / Medium / Low)
1	Departmental report – Chamberlain’s Department				
1.1	Report to 13/7/2011 meeting: Item 4 Chamberlain’s departmental report – Efficiency review	The Chamberlain to provide a further report addressing specific issues in relation to the IS Review.	Chamberlain	EPSC November 2011 - The Chamberlain updated Members on the outsourcing of IT services and infrastructure. Members noted that further work would be undertaken on how best to deliver IS Services and that this would be reported to the sub-Committee August 2012 – Report to be presented to September Finance Committee November 2012 – full report to IS Sub Committee – agreed to move into an open procurement process.	High
1.2	Report to 24/11/11 meeting: Item 10 Peer review of financial and business support services	An action tracker to be reported to future meetings which includes the responsible Officer and timescales for delivery of actions relating to this item.	Financial Services Director and Business Support Director	EPSC February 2012 - An action tracker was reported to the meeting where it was resolved that progress against the action tracker would be reported to the Committee on an exception basis. Update August 2012 - No issues requiring Member attention Update November 2012 – no issues	Medium

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

2	Departmental report – Department of Community and Children’s Services				
2.1	<p>Report to 27/9/11 meeting: Item 9</p> <p>Community & Children’s Services department - Efficiency review</p>	<p>Future progress regarding the delivery of efficiency and performance improvements and the DCCS commissioning strategy to be reported in summary form to the Efficiency & Performance sub-Committee either as a separate report or within the Transformation and Efficiency Board update reports.</p>	<p>Director of Community & Children’s Services</p> <p>Update to January 2013 meeting</p>	<p>Community and Children’s Services Committee June 2012 - The Committee received an update highlighting the commissioning intentions for 2012/13. The strategy included three reviews: supported living; Portsoken Area, and youth services, the outcomes of which are due later this year. Other commissioned services were highlighted in the June report, including the 2012/13 priorities.</p> <p>August 2012 – Report to be submitted to Community and Children’s Services Committee in October regarding reviews of Youth Service and Supported Living. Reviews for 2013/14 to be agreed in March 2013.</p>	High
3	Departmental report – Barbican Centre				
3.1	<p>Report to 24/11/11 meeting: Item 12</p> <p>Barbican Centre Update</p>	<p>Members were updated on the plans for reducing the Centre’s expenditure and increasing income. Members requested that the sub-Committee be kept informed of any related financial matters as necessary.</p>	<p>Chamberlain/ Managing Director of the Barbican Centre</p>	<p>August 2012 – No issues requiring Member attention. Financial forecast for 2012/13 within budget.</p> <p>November 2012- No issues requiring Member attention. Financial forecast for 2012/13 within budget. Forecasts for 2013/14 are currently being compiled.</p>	Medium

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

4	Improved co-ordination (“Joining-up”) between Mansion House, Guildhall complex and the Central Criminal Court				
4.1	<p>Report to 3/2/12 meeting: Item4</p> <p>Improved co-ordination – progress update</p>	<p>The Chairman and Deputy Chairman to be updated on progress made in all areas of improved coordination, with full updates on the CRM database and seating arrangements being reported to the Committee for information as it is reported thorough the other relevant Committees.</p>	<p>Deputy Town Clerk</p>	<p>Sept 2012 – The Remembrancer, through the Events Coordination Group, has led the development of a corporate wide diary system. More information about City Corporation events is now available within a central diary and the data is more comprehensive than before. The various departments involved, including Mansion House, Public Relations and the Remembrancers are making sure that the diary is kept up-to-date and the system is capable of being accessed by officers from those Departments. The Remembrancer is keeping this under review to ensure that the new facility continues to deliver what Members want. On the technical side, Modern.gov will soon replace the existing software systems.</p> <p>November 2012 – The Corporate Events Management Group works to provide strategic oversight and improved co-ordination between departments in relation to corporate events. Current issues being examined by the group include an improved diary system and seating arrangements at City hospitality events.</p>	<p>Low</p>

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

5	Central Recharges				
5.1	<p>Report to 24/11/11 meeting: Item 9</p> <p>Chamberlain’s departmental recharges – Value for money analysis</p>	<p>The Chamberlain to provide Members with further detail on comparative service delivery costs and to submit a report to Members to reconsider the issue of internal recharges and value for money</p>	<p>Chamberlain update to be provided after results of corporate service benchmarking received and analysed</p>	<p>February 2012 – A report was received outlining the difficulties in measuring the City Corporation against the CIPFA Public Sector Corporate Services Value for Money. The Financial Services Director stated that she was exploring other possibilities, including a London-wide benchmarking club, supported by CIPFA, to look at the issues instead. This was welcomed by Members.</p> <p>August 2012 – City to participate in the five corporate service benchmarking clubs (HR, IS, Legal, Finance and Property Services).</p> <p>November 2012 –Data collection for the HR, Legal, Finance and Democratic Services benchmarking clubs currently underway. Given the IS Sourcing review, the City will not participate in the IS benchmarking club. Possible benefits of participation in the Property Services benchmarking club currently being assessed.</p>	Medium
6	Business Planning				
6.1	<p>Report to 27/9/11 meeting: Item 5</p>	<p>That a “think piece” report showing linkages between Business Planning and</p>	<p>Chamberlain</p>	<p>sub-Committee February 2012 – A report was submitted to Members who agreed that, as part of the 2013/14 budget estimates process, the forward</p>	Medium

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

	<p>Business Planning Framework 2012/13</p>	<p>Resource Allocation be submitted to the sub-Committee</p>		<p>financial planning position and key business plan objectives would be reported together to Committees so that these could be taken into account more visibly in the financial planning process.</p> <p>July 2012 – Business planning objectives now included as section in the revised templates for service committees for 2013/14 budget estimates.</p> <p>sub-Committee Sept 2012 – The Chamberlain confirmed that greater alignment between service and financial planning would take place for 2013/14 and beyond.</p> <p>November 2012- Budget and activity reviews have been undertaken, targeted on areas where there is less budget/ activity alignment either because of time since the last review or because of significant income/ cost pressures. Zero based budgeting exercises have been conducted in Community and Children’s Services and Culture, Heritage and Libraries. In depth budget and activity reviews have been carried out in departments with significant income pressures- Built Environment and the Barbican.</p>	
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EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

7	Efficiency Board issues				
7.1	<p>Report to 18/5/12 meeting: Item 6</p> <p>Income generation initiatives</p>	<p>Members expressed a desire to be updated on the agreed actions:</p> <ul style="list-style-type: none"> To establish a Corporate Project Board to work with Chief Officers to identify new income streams and priority areas to increase the level and scope of charges made for existing services. To give consideration to identifying services which, in accordance with the Local Government Act 2003, might require the establishment of trading accounts to exploit income generation opportunities. 	<p>Business Support Director</p> <p>Update to January 2013 meeting</p>	<p>October 2012 – Focus of project being re-scoped following discussion at October Efficiency Board. Focus will be more targeted, focusing on Departments and activities where a more commercial approach to income generation would be beneficial.</p> <p>January 2013 – An update covering both of these issues is contained within the Transformation and Efficiency Boards report.</p>	Medium
7.2	<p>Report to 18/9/12 meeting: Item 5</p> <p>Triggers for departmental reporting</p>	<p>Members asked for a review of the triggers after 6 months of operation</p>	<p>Chamberlain</p> <p>Full review to May 2013 meeting</p>	<p>The triggers are reviewed at every meeting of the Efficiency Board and an update provided in the Transformation and Efficiency Board update reports to each sub-Committee meeting.</p>	Medium

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

8	Transformation Board issues				
8.1	<p>Report to 18/9/12 meeting: Item 6</p> <p>Shared Services (City Corporation & City Police)</p>	<p>Members noted that non-emergency Police calls were being answered by the City Corporation's contact centre and were keen to consider recharging options should this become a permanent arrangement. They also noted that any decisions to recharge for services should be applied consistently across all departments.</p>	<p>Deputy Town Clerk / Chamberlain</p>	<p>January 2013 (report to Police Committee): "The call handling pilot has been successful in both reducing the volume of calls received in the CoLP Control Room and in making significant improvements to the percentage of non-emergency calls answered within 30 seconds. This is now consistently above target. Following an initial evaluation of the pilot to date, options for extending both the volume and nature of calls the shared Contact Centre handle are being considered in light of the Force's overall Contact Management Strategy."</p>	Low

9	Miscellaneous				
9.1	<p>Report to 12/7/12 meeting: Item 5</p> <p>Transformation and Efficiency Boards update</p>	<p>The Chamberlain will explore how future finance reports could include a breakdown of internal and external staffing costs charged to City Corporation projects, especially where recharges could be made.</p>	<p>Financial Services Director</p>	<p>Estimated internal staff costs are now included in the gateway 1 and 2 template reports for City Corporation projects.</p> <p>The review of the breakdown of staff costs to projects is currently being specified.</p> <p>November 2012- work is currently underway and findings will be reported to the January meeting.</p> <p>January 2013 – a briefing note has been prepared for discussion with the Chairman.</p>	High

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 17/1/2013)

<p>9.2</p>	<p>Report to 18/9/12 meeting: Item 5</p> <p>Transformation and Efficiency Boards update</p>	<p>Minutes of Transformation Board (TB) and Efficiency Board (EB) to be sent to selected Members for their information.</p>	<p>Head of Corporate Performance and Development</p>	<p>Sept '12 meetings – sent 13/11/12</p>	<p>Low</p>
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Agenda Item 5

Committee(s):	Date(s):
Efficiency and Performance Sub-Committee	30 January 2013
Subject: Trigger Reports	Public
Report of: Deputy Town Clerk and Chamberlain	For Information
Summary The Efficiency Board has monitored the various sources that might trigger a report to the Sub Committee. There are four reports submitted for Sub Committee consideration: <ul style="list-style-type: none">• Tough times• Striking a Balance• Towards a Tipping Point• 50 Ways to Save	
Recommendation Members are asked to receive this report and identify any particular areas where further work should be undertaken.	

Main Report

Background

The Efficiency Board monitors a number of source documents to identify issues that should be reported to the Sub Committee from a value for money perspective. This is summarised on Appendix A. There are four trigger reports submitted for Sub Committee consideration:

- Tough times
- Striking a Balance
- Towards a Tipping Point
- 50 ways to save

Tough Times

1. This Audit Commission report was issued in November 2012 and is summarised on Appendix B. One issue to highlight for the Sub Committee is the Commission's view that those authorities with high cuts and/or low reserves were most likely to have struggled financially in 2011/12 and are seen as a high risk looking forward. The Corporation is not in that position. Although it has suffered from reductions in government grant, budget savings

and reductions have been made which have not, so far, resulted in cuts to services or the drawdown of reserves. Looking forward, that should continue to be the case until 2016/17.

Striking a Balance

2. This Audit Commission report issued in December has some specific recommendations for both the Chief Financial Officer and for elected members. These are set out in the summary to the report on Appendix C. In looking at those recommendations I would say that the Corporation conforms to them, but I would highlight one particular recommendation - that reports should show clearly the interaction between the council's planned spending, income, movements on reserves and council tax.
3. As the report says elsewhere -there is no set formula for deciding what level of reserves is appropriate, too low or too high – councils are free to determine the reserves they hold. However, reserves do need to be appropriate for local circumstances, and councils are accountable to taxpayers for the decisions they make. Compared to other councils – particularly London Boroughs - the Corporation's reserves may appear relatively high. But at the same time, the Corporation's flexibility in raising council tax is relatively low with each 1% on Council tax being worth only around £50,000; the equivalent figure in a London Borough would typically be around the £800,000 figure. So, in terms of "spending power" (combined resources from tax and grant) the Corporation's reserves are not comparatively high.

Towards a Tipping Point

4. This report from Grant Thornton makes a number of interesting points. Again, if I were to highlight one for the Committee's attention it would be with regard to liquidity. This has never really been an issue for local authorities but under the new system of local government finance there can now be a real risk here especially for those authorities – like the City Corporation – which collect high levels of business rates and face appeals. This is because although appeals relate to business rates already collected and paid over to Government, it falls on the billing authority to make any refunds. This risk is very relevant to the City Corporation and we will need to monitor it carefully.

50 Ways to save

5. This paper has been issued by the Department for Communities and Local Government and sets out examples of sensible savings in local government. The Efficiency Board has not had time to review this fully as yet but, nevertheless is issued for members' information, with some short comments. This document has publically attracted some criticism from local authorities who point out that the level of savings made over the past 6-7 years by local government compared to national government speaks for itself.

Conclusion

6. There is quite a lot of material in these various reports. Members are invited to identify any areas where they feel specific work should be undertaken.

Chris Bilsland
Chamberlain

T: 020 7332 1300

E: chris.bilsland@cityoflondon.gov.uk

Appendices

- Appendix A – Trigger Summary
- Appendix B – Tough times
- Appendix C – Striking a Balance
- Appendix D – Towards a Tipping Point
- Appendix E – 50 ways to Save

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Triggers for Value for Money Departmental Reporting

Source	Issues raised
Monthly budget monitoring reports	
Local Area Performance Solution (LAPS)	2012/13 Q1: No issues for further review (EB 24/9/12)
Committee reports	
DTC performance meetings	2012/13 Q1: Meetings held with six Chief Officers – results to be reported to Summit Group 3/12/12
Benchmarking studies	Headlines from HMIC Police VFM profiles for 2012 reported to Efficiency Board 26/10/12
External audit or inspections	
National studies, e.g. National Audit Office	<p>From notes of 24/9/12 Efficiency Board: CB noted that the NAO was due to issue its first national study, on <u>Financial Stability</u>, before Christmas. Also due shortly is a report on <u>Funding for Local Transport</u>. Work has also commenced on <u>Police Procurement</u>, with a report expected in 2013</p> <p>Reports Received – for EPSC consideration</p> <ul style="list-style-type: none"> • Tough times • Striking a Balance • Towards a Tipping Point • 50 ways to Save Money
Issues of public concern	<ul style="list-style-type: none"> • Localisation of Council Tax Benefit • Transfer of Public Health responsibilities wef 1/4/13
Other	
Feedback from service users	

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Tough Times 2012 – Summary

Councils' financial health in challenging times
Report of the Audit Commission (November 2012)

Impact of reductions in government support to councils

These are challenging and uncertain times for councils as they cope with the second year of the four-year Spending Review. The savings needed are lower in 2012/13 than in 2011/12, but the cumulative effect is significant for many.

Government funding to councils fell in real terms by £1.6 billion in 2012/13, compared to a cut of £3.4 billion in 2011/12. This two-year reduction in government funding of £5 billion is equivalent to 9.3% of councils' 2010/11 revenue spending.¹

- **Impact of cuts in government funding vary across the country**
- **Councils in deprived areas were most affected in both years.**
- **The council tax freeze led to real-terms reductions in income in 2012/13, adding to financial pressures.**

Councils' plans for 2012/13

Councils are focusing cuts on a different mix of service areas than in 2011/12.

- Councils protected adult social care (ASC) in 2011/12 by focusing cuts on smaller services, but this has not been possible for a second year as savings become harder to achieve over time.
 - Councils plan to increase savings from ASC in 2012/13 – the only service where spending reductions are planned to be greater than in 2011/12.²
 - Planned savings from planning and development have fallen from an average of 27.2% to 6.9% for single tier and County Councils (STCCs).
- Children's social care continues to be protected. This may reflect the very sharp recent interest in numbers of children in care.

How councils coped financially in 2011/12

Councils performed well in 2011/12 – meeting their savings targets, and in general building up their reserves.

- Actual total service spend (excluding education) fell by 7.4% among STCCs, and 8.9% for District Councils (DCs) – against planned cuts of 6% and 9% respectively.
- Councils increased their reserves (by £1.3 billion in 2011/12) despite budgeting to reduce them. This has been a consistent trend over recent years.
- Two factors appear to have driven the growth of reserves in 2011/12:

¹ Revenue spending is funded by government grants, council tax income and use of reserves. Expressing the cuts as a percentage of revenue spending gives a better picture of the local impact.

² A 3.4% real-terms reduction is planned for 2012/13 compared to 2.2% in 2011/12.

- Some councils have been highly effective in meeting their savings targets, creating underspends which could be added to reserves; and
- Councils are putting money aside to mitigate the risks of the ongoing cuts programme and changes to council funding from April 2013.

Although the majority of councils dealt well with the challenges in 2011/12, there were signs of financial stress among a sizeable majority.

- In-year financial stress was mainly driven by the size of the financial challenge facing a council. In particular, those with high cuts and/or low reserves were most likely to have struggled in 2011/12.
- But there is evidence that good management helped councils overcome financial challenge and reduce in-year stress – while weaker management exacerbated problems raised by financial challenges.

Councils' performance in meeting their 2011/12 savings targets was good – but this does not mean that services were unaffected.

- Auditors only reported on councils' financial resilience – which has proved to be relatively strong in 2011/12.
- However, a balanced budget can sometimes be achieved only at the expense of reductions in service provision. Our research for this report did not look at services so we cannot comment here on whether they have been affected.

Prospects for future financial health

Looking forward, auditors feel that the majority of councils are well placed to cope financially, but there are some concerns.

- Auditors identified 12% of councils that represent an ongoing risk, as they are not well placed for 2012/13 or for the remainder of their medium-term plans.
- Auditors feel that there is a further 25% of councils that represent a future risk, in that they are well placed to deliver their 2012/13 budget, but less so for the remainder of their medium-term financial plan.

Auditors are most concerned by councils that struggled in 2011/12 and face significant financial challenges in 2012/13.

- Councils that showed signs of financial stress in 2011/12 are significantly more likely to be viewed as an ongoing or future risk by auditors.
- Councils facing large financial challenges in 2012/13 – high cuts and/or low reserves – are more likely to be seen as a high risk by auditors.

Auditors are particularly worried by councils that dealt with their 2011/12 financial problems by seeking additional revenue.

- Councils that addressed in-year stresses in 2011/12 primarily through extra spending reductions and efficiencies were seen as less of a risk for future financial years.
- Auditors were more concerned about councils that tried to address their 2011/12 problems through capitalisations³ or unplanned use of reserves.

Future reports

³ These are capitalisations requested under exceptional circumstances.

The Audit Commission will publish a report on council reserves, later in 2012.

There will be another report in the Tough Times series in 2013 that will continue to monitor and report on councils' progress in dealing with the 2010 Spending Review.

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Striking A Balance

Improving councils' decision making on reserves
Report of the Audit Commission (December 2012)

Summary

1. This report presents the Audit Commission's findings from research undertaken during 2012 on the level of reserves that councils hold and on the decisions councils make relating to them.
2. Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments. The level, purpose and planned use of reserves are important factors for elected members and council officers to consider in developing medium-term financial plans and setting annual budgets.
3. In setting its budget, a council decides what it will spend and how much income it needs from fees, charges and council tax to supplement government funding. A council may choose to fund some of its spending from its reserves, or set aside some of its income to increase reserves for future spending. Whatever it chooses, the decision affects local taxpayers and service users.
4. Having the right level of reserves is important. Where councils hold very low reserves, there may be little resilience to financial shocks and sustained financial challenges. Where reserves are high, councils may hold more than they need.
5. There is no set formula for deciding what level of reserves is appropriate, too low or too high – councils are free to determine the reserves they hold. Elected members are responsible for ensuring that their council's reserves are appropriate for local circumstances, and are accountable to taxpayers for the decisions they make. Chief finance officers have a duty to provide elected members with the advice they need to make good decisions.
6. Following a sustained period of growth in public spending, councils face significant financial challenges. A 26 per cent reduction in government funding from 2010/11 to 2014/15, constrained council tax increases, a decline in other income, rising costs and growing demand for many services are all testing councils' financial management and resilience.

7. Further changes in council funding are due to take effect from April 2013, with the introduction of local business rates retention and new arrangements for providing council tax support. The impact of these changes, and the level of further funding reductions in 2015/16 and 2016/17, is not yet known, but many councils expect their funding will reduce.
8. These current and future financial challenges pose significant, and increasing, risks for councils and present them with competing priorities in their strategy for reserves. They can:
 - use their reserves to offset funding reductions and protect services – although, as reserves are a finite resource, this can only be a short-term strategy – or invest in making changes that reduce the cost of providing services in the long term; or
 - increase reserves to strengthen resilience against future, uncertain cost pressures.
9. English councils held £12.9 billion in their reserves at 31 March 2012. Councils had earmarked £9.9 billion of their reserves for specific purposes, although we found earmarking does not always mean there is a plan for spending the funds.
10. There were wide variations in the level of councils' reserves that cannot be explained by contextual factors. This suggests that variations are the result of councils' different decisions about what they believe they need to hold in reserves, based on their future plans and perceptions of risks.
11. Single-tier and county councils held most of the reserves: £10.9 billion in 2012, of which £8.6 billion was earmarked. District councils held reserves of £2.0 billion. District councils generally have much higher reserves relative to their spending and are less likely to earmark them.
12. Councils' reserves increased by £4.5 billion from 2006/07 to 2011/12 – 36 per cent in real terms. Single-tier and county councils accounted for most of the increase, but 77 per cent of all councils have increased reserves, relative to spending, over this period.
13. Councils' budgets for 2012/13 show them planning to reduce reserves by a total of £0.4 billion. But more councils plan to increase their reserves in 2012/13 than planned to do so in any of the preceding three years.
14. Our analysis shows that councils often have higher reserves at the end of the year than they plan, as their spending is lower or income higher than their budgets anticipate. Variation from plans is generally greater for district councils. Councils need to understand the factors that contribute

to unplanned growth in reserves and correct or explain unplanned additions to reserves at the earliest opportunity.

15. For councils in our research, recent planned increases in reserves were commonly a response to concerns, or uncertainty, around the level of future funding for services and the council's ability to deliver further savings.
16. In our review of councils' budget documentation and interviews with chief finance officers, we found that all councils were actively considering the need for, or use of, reserves in relation to their current and future risks and spending plans. However, councils took different approaches to assessing the need for reserves and reviewing the reserves they held. Information used in decision making was also of variable quality.
17. All councils, we found, could improve decision making in at least one of the following areas:
 - undertaking a good-quality, annual review to ensure the purpose and level of reserves align with medium-term financial plans;
 - being clear about the reasons for earmarking reserves and ensuring that earmarked reserves are sufficient, but not excessive;
 - ensuring that reserves held to mitigate financial risk are set on the basis of an up-to-date assessment of factors affecting income and spending projections, and reflect the degree of contingency built into the budget;
 - making sure that the advice that chief finance officers provide to elected members on the adequacy of reserves includes a clear and well-evidenced summary of issues to be considered in decision making;
 - monitoring the level and use of reserves over recent years, and comparing the council's approach with others facing similar circumstances;
 - ensuring elected members and the public have clear information showing the interaction between changes in the level of reserves and council tax;
 - improving budget monitoring and forecasting to give elected members greater awareness of likely year-end movements on reserves; and
 - examining the reasons for significant, or unexpected, budget variations and taking corrective action where necessary.

18. Given the sums involved, and the current financial challenges, councils should focus more attention on their reserves and the purposes for which they hold them. All councils should ensure that their decisions have been clearly explained to taxpayers and service users. This is especially important where councils continue to set aside funds for the benefit of future taxpayers and service users.

Recommendations

19. The following recommendations are intended to help improve councils' decision making around reserves.

To better assist elected members in their decision making, chief finance officers should provide them with:

- information showing the current level of reserves, relative to spending; how reserves have changed over time; and how reserves compare with those held by councils facing similar circumstances;¹
- details of the forward strategy for reserves needed to support the council's medium and long-term spending plans;
- information that shows clearly the interaction between the council's planned spending, income, movements on reserves and council tax;
- a clear summary of the financial risks facing the council; how it will mitigate these risks, including any contingency within the council's budget; and the minimum and maximum level of residual risk for which the council may need to hold funds in its reserves;
- an explanation of the purpose and level of any earmarked reserves, clarifying which are earmarked at the council's discretion and their expected timescale for use; and
- accurate forecasts, during the year, of variation from budget and the expected effect of over or underspending on reserves at the end of the financial year.

Elected members should:

- request and make use of information that will enable them to assess the adequacy and necessity of reserves; monitor change in reserves over time, relative to spending; and understand how reserves compare with those held by councils facing similar circumstances;
- ensure that reserves held to protect against financial risks are set prudently; and are informed by an up-to-date, comprehensive risk

¹ The Financial Resilience section of the Audit Commission's [Value for Money Profiles](#) tool can assist councils to compare reserves over time and with other councils.

assessment, which takes account of other risk mitigation measures, including any contingency within the council's budget;

- review the purpose, level, historic use and planned use of other reserves annually, to ensure they are still necessary to support medium and long-term spending plans;
- examine the causes of variation between planned and actual changes in reserves, especially where variations are large, or where in-year budget monitoring has not accurately forecast the year-end position on reserves; and i ensure the council
- provides clear information about the level of reserves and their purpose in published budget information as well as in their annual statement of accounts.

Conclusions

20. Councils hold a significant amount of money in their reserves to fund future spending plans and manage financial risk. The financial challenges and risks that councils face are also significant, and increasing. It is important that councils make well-informed decisions about their reserves and are accountable for these to local taxpayers and service users.
21. There is wide variation in the level of reserves that councils hold, even among councils in similar circumstances. While there is no universally appropriate level for councils' reserves, this variation suggests some councils might successfully operate with reserves at a different level to the one they currently have. The reserves a council holds should be proportionate to the scale of its future spending plans and the risks it faces as a consequence of these.
22. Single-tier and county councils hold the majority of reserves and have been responsible for most of the growth in recent years. This places an added responsibility on these councils to ensure their reserves are at an appropriate level.
23. District councils, have reserves that are lower, but generally a much higher percentage of their revenue spending. These councils' reserves provide greater resilience to funding reductions and greater flexibility to invest in tackling financial challenges.
24. Councils have earmarked the majority of their reserves, but our research shows that earmarking does not always mean there is a specific plan for how the funds will be spent. Elected members need to examine closely the purposes for which earmarked reserves are held and consider whether these funds could be better used. Councils should ensure there is a clearly communicated rationale for earmarking reserves for specific purposes.

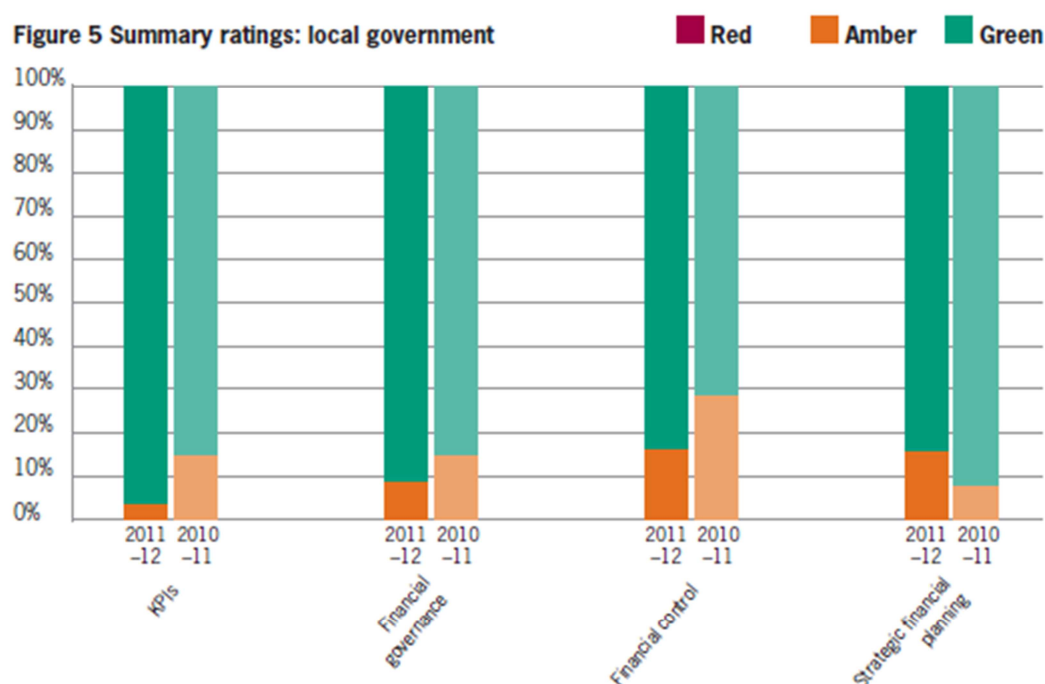
25. The majority of councils increased reserves relative to spending from 2007 to 2012. Some councils continue to plan increases in their reserves despite, or because of, reductions in their funding from government. The justification for setting aside additional funds in reserves, for the benefit of future taxpayers and service users, needs to be better explained to current taxpayers and service users.
26. Most councils have higher reserves at the end of the year than they expect, due to unplanned budget surpluses. Councils need to understand and apply learning about the factors that contribute to unplanned growth in reserves. They should also correct unnecessary additions to reserves or explain clearly to taxpayers why they are retaining these unexpected funds.

Towards a tipping point?

Summary findings from our second year of financial health checks of English local authorities*Report by Grant Thornton (December 2012)***Summary and conclusions**

Overall, local authorities have continued to manage in the current environment, but improving scenario planning, sensitivity analysis and reporting of savings programmes as well as ensuring financial governance arrangements remain robust will help finance management to influence key stakeholders in the uncertain times ahead.

The overall trend for many of the categories we have rated is a slightly improving position between 2010–11 and 2011–12. This is replicated in three of the four themes in Figure 5.



Overall, local authorities have coped very well with delivering the first year of SR10.

- 86% of authorities were rated green for **key indicators of financial performance** for 2010–11, and this has increased to 96% for 2011–12. For each category in this thematic area the

trend has been an increasing level of green ratings and reducing levels of amber ratings, with liquidity receiving the lowest overall rating (87%). While for many authorities their Treasury Management Strategy is leading to a planned reduction in liquidity, and borrowing headroom provides a degree of confidence for the medium-term, authorities will need to ensure that their liquidity is carefully monitored, for example in the collection of council taxes and business rates during challenging economic times. The overall position indicates that local authorities are both treating the financial challenges being faced seriously, and delivering against their financial plans.

- Local authorities demonstrated good **financial governance** during our 2010–11 reviews, with 86% receiving green ratings. This has increased to 92% for 2011–12. Local authorities will need to continue to ensure financial governance arrangements remain robust. Given the generationally significant financial challenges facing authorities, it will be particularly important that the chief financial officer is a key member of the authority's leadership team. This theme has the first sub category to receive a red rating (Adequacy of Reporting) and it will be critical that financial information is reported accurately, at the right frequency, and in a format that ensures effective monitoring and decision making. This includes where services are not delivered in-house, which will be an increasing trend for the sector.
- Our 2010–11 reviews indicated that the weakest thematic area was **financial controls**, with 71% of authorities receiving a green rating. Our 2011–12 reviews indicate an improvement, with 83% of our sample receiving a green rating. However, this is the joint lowest overall rating, along with strategic financial planning. A key risk to be managed in this area continues to be embedding the changes resulting from reductions in finance staff and the associated increase in financial responsibilities of service managers and budget holders. Local authorities also need to improve the management information relating to the reporting of savings programmes, in particular with the inclusion of greater detail on the use of countervailing savings, so that key stakeholders can better understand the impact on service delivery and policy decisions, where such alternative savings are being applied to pre-agreed targets.

- Local authorities demonstrated strong **strategic financial planning**, during our 2010–11 review, with 93% in our sample receiving a green rating. This declined to 83% for 2011–12, the only thematic area that saw a fall in the overall green rating. While this remains at a high level overall, the reduction highlights the increasing difficulty local authorities face in planning for the medium-term in what remains a greatly challenging and uncertain period. It remains critical that authorities improve their scenario planning and the use of sensitivity analysis on key assumptions in their financial models. As we noted in our 2011 report, we believe authorities can learn directly from the financial modelling analysis required by Foundation Trust applicants in the NHS.

Comparison to the health sector

We undertook similar reviews of a sample of NHS trusts and primary care trusts (PCTs) for both 2010–11 and 2011–12.

Our 2011 report observed that, despite NHS funding levels being maintained by the Government, health bodies received lower ratings than local authorities for 2010–11, with significantly lower levels of green ratings across themes, and with no green ratings for key indicators of financial performance. There has been some improvement for 2011–12. For example, and unlike local authorities, strategic financial planning for health bodies has improved. Health bodies have also seen an improvement for KPIs and the overall position for financial governance has stabilised. However, the overall ratings remain significantly lower than the overall local authority ratings. As we noted in our 2011 report, the underlying causes of these findings predate SR10, and relate to long-term structural issues, particularly within the acute sector. Like local government, performance is varied, but the higher performing trusts are often very good at scenario planning and sensitivity analysis as a response to volatile demand-led costs and income, although the sector as a whole has difficulty in delivering to these budgets.

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Appendix E

50 ways to save – CoL comments and examples

Background paper: *50 ways to save – Examples of sensible savings in local government; Department for Communities and Local Government*

		Corporate	
1	Share back office services with other authorities	Is under constant consideration although presently few opportunities have presented themselves	
2	Community budgets – Bring staff and money together	Review taking place in Portsoken Ward (DCCS)	
3	Use transparency to cut waste	Expenditure over £500 is published.	
4	Tackle duplicate payments	Checked by Internal Audit and will be a routine part of CLPS work	
5	Clamp down on corporate charge cards	Has been exhaustively considered by members	
6	Special spending controls	Checked by Internal Audit	
7	Tackle fraud	Anti-Fraud strategy in place	
8	Claw back money from benefit cheats	Already undertaken by Internal Audit	
9	Get more for less by improving procurement	The PP2P Programme is making a step change in procurement	
10	Buy together	Many collaborative arrangements already in place – eg LASER for Energy purchase and a category management approach is in place	
11	Stop the scope for procurement fraud	PP2P and new CLPS reduces any risk significantly	
12	Utilise £16 billion of reserves creatively		
13	Improve council tax collection rates	CoL collection rates already highest in London and one of highest in country.	
14	Encourage direct debit and e-billing for council tax	In place	
15	Close council cash offices	n/a	
16	Better land and property management	CSD paper for January Efficiency Board; close scrutiny already in place by PIB	
17	Hot-desking, estate rationalisation and sub-letting	Being implemented (Accommodation Review and Ways of Working).	
18	Open a 'pop up' shop in spare office space	Is done as and when appropriate	
19	Close subsidised council canteens	Is considered as part of any budget review	
20	Cancel away days in posh hotels and attendance at glitzy award ceremonies		

21	Open a coffee shop in the library	Stall in Guildhall yard.	
22	Cut senior pay	Chief Officer Group agreed to a pay freeze.	
23	Share senior staff		
24	Scrapping the chief executive post entirely		
25	Introduce a recruitment freeze	Implemented for a period. Under review.	
26	Freeze councillor allowances and end councillor pensions	Allowances – n/a	
27	Cut spending on consultants and agency staff	Examined as part of PP2P Programme	
28	End expensive 'leadership' courses		
29	Cut spending on head hunters and expensive adverts	Control exercised by HR	
30	Review and reduce absenteeism	Corporate absence management procedures in place. Performance relatively good.	
Page 36	Scrap trade union posts		
	Charge for collecting trade union subscriptions		
	Stop spending money on commercial lobbyists	CoLC complies with DCLG guidance	
34	Stop translating documents into foreign languages	Corporate documents, etc. not translated. Some translation at departmental level (DCCS, CHL).	
35	Reduce the number of publications and media monitoring		
36	Earn more from private advertising		
37	Cease funding 'sock puppets' and 'fake charities'		
38	Scrap the town hall Pravda		
39	Stop providing free food and drink for meetings		
40	Reduce first class travel	Controlled via Business Travel Scheme	
41	Cut mileage payments		
42	Video conference instead of travel		

43	Help the voluntary sector save you money	DCCS Commissioning Strategy includes voluntary sector provision.	
44	Cut printing costs	Already largely implemented although more to do.	
45	End lifestyle and equality questionnaires	Equality Impact Assessments subject to HR/C&CS guidance.	
46	Sell services		
47	Hire out the town hall	Hire of Guildhall and other venues.	
48	Lease works of art not on display		
49	Save money on computer software	Covered under both PP2P and I S Review 3	
50	And finally...ask your staff for more sensible savings ideas.	Corporate scheme for ideas open to all employees as well as the annual efficiency drives.	

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Agenda Item 6

Committee(s):	Date(s):
Efficiency and Performance sub-Committee	30 Jan 2013
Subject: Transformation and Efficiency Boards - Update	Public
Report of: Deputy Town Clerk and Chamberlain	For Information
<p>Since the last sub-Committee meeting, the Transformation Board has met three times and the Efficiency Board has met twice.</p> <p>The Transformation Board has discussed the development of new strategic projects arising from the Strategic Opportunities workshop, received detailed presentations regarding Ways of Working and Digital by Default, and received the regular updates from the current programme of strategic reviews.</p> <p>The Efficiency Board continues to monitor the achievement of efficiency savings and budget reductions, and the latest position is reported in Appendix 1 to this report. The Board has also discussed how it can continue to support this sub-Committee, including by monitoring the agreed “triggers” for departmental reporting, and receiving a series of updates on current projects.</p> <p>Recommendation</p> <p>Members are asked to receive this update</p>	

Main Report

Background

1. At its 23rd May 2011 meeting, this sub-Committee received a report describing the establishment of two officer boards - the Transformation Board, (concentrating on change management) and the Efficiency Board (concentrating on the achievement of savings and efficiencies). It was agreed that an update on the work of each Board would be provided at each meeting of this sub-Committee.

Transformation Board

2. The following issues have been discussed at the Transformation Board, chaired by Susan Attard, since the last sub-Committee meeting.

3. **Updates on Strategic Reviews** The Board received updates on the key strategic projects. Issues highlighted recently include:
- a. **IS phase 3 – alternative sourcing options**: Soft market testing has been completed, with a positive result from suppliers, and the procurement approach has been approved by the IS sub-Committee. The timetable is for tender bids to be returned in late April; Committee and Court of Common Council approval to be obtained by the end of July, and the new service to commence from mid-August, subject to an approved Transition Plan.
 - b. **PP2P**: The CLPS (City of London Procurement Service) project remains on schedule, with Accounts Payable and Reconciliations staff assimilated on 2nd January. When the first part of the service, relating to the payment of invoices, goes live on 21st January 2013, the focus will be on maintaining business as usual as well as training in new processes. The CLPS team are actively engaging with departments via their Change Partners to assess how ready the departments are to use the CLPS services. A checklist and overall dashboard have been created to report progress by each department. The year 3 sourcing plan will be ratified in the Category Boards and Joint Review Board in January, and reported to the Finance Committee in February. Year 3 – 5 sourcing opportunities have been identified and reviewed with Category Boards.
 - c. **Strategic Finance Review**: An action plan has been formulated to achieve a ‘one finance team’ feel within the decentralised Financial Services structure. The Management Information Dashboard project, led jointly by the Town Clerk’s and Chamberlain’s Departments, has been integrated with the Financial Management Information System developments. Work on eLearning for budget managers commenced in January, incorporating business partnering initiatives.
 - d. **HR**: The new HR structure went live on-time on 1st November 2012 as a soft launch. Information on the changes has been cascaded via Chief Officers, and staff resources have been allocated to complete projects that are underway.
 - e. **Property Facilities Management (FM)**: The interim restructure for the City Surveyor’s Department Department was completed in April 2012 and the department has transitioned to the City’s new FM operating model. Departments were consulted on the new model, and corporate property FM impact required to support the new corporate contracts and deliver the planned savings. Departments are currently being consulted on the end -state structure, roles and responsibilities and departmental contacts. All staff consultations and the end-state structure are aimed to be completed by summer 2013. Achievement of the Building Repairs and Maintenance savings under PP2P is dependent on the satisfactory resourcing of the facilities management team in the City Surveyor’s Department involving consultation and transfer of some staff resources from service and corporate departments.

- f. Accommodation (vacation of Guildhall Yard East) Contractors have been procured through the City Surveyor's Minor Works Framework, and works to Walbrook Wharf and the first floor of Guildhall North Wing completed. Final layouts have been agreed and signed off by Chief Officers. All works are on programme.
4. **New Strategic Opportunities** As reported to the last meeting of this sub-Committee, the Board is developing projects under four new themes:
 - a. "Top 100" Managers – promoting leadership and managerial behaviour and skills, engaging senior managers more proactively, and developing a collegiate approach.
 - b. Demand Management – controlling service requests from colleagues to ensure work is allocated appropriately and completed effectively, to a high standard, and in support of the City Corporation's key policy priorities.
 - c. Digital by Default – internally, to make information more accessible and enable better team collaboration, and facilitate communication and engagement across the organisation; externally, to develop online services with innovative use of online tools, gather and use customer insight to design and deliver services.
 - d. Ways of Working – developing a strategy, delivery framework and tools for ways of working that assist the organisation in making the best use of its assets, resources, technology and people; developing improved working practices, including flexible working, and making best use of enabling technology to support the strategy.
5. A chief or senior officer has been agreed as the project sponsor for each theme. For each theme, the Board has approved a project proposal, the format of which is aligned with the standard template from Project Vision, which is to be used for monitoring these new work streams. Each project sponsor has also produced a "journey map", showing the current position, the desired future position and the anticipated key stages.
6. The Board has received a detailed presentation about the Ways of Working theme and how that programme of work will be developed. The Board considered the vision and scope, and agreed project governance and management arrangements. The presentation also highlighted links to other work, the perceived benefits and how they would be measured, outputs, and an indicative timeline. The presentation concluded with case studies from Intel, BT, EDF Energy and the Environment Agency.
7. The Board also reviewed the range of internally and externally facing projects within the Digital by Default theme, including: the new website; EDRMS (Electronic Document Records Management System) pilots; use of Social Media; and enhancements to the CRM, contact centre and website. Indicative timelines for possible future developments were also highlighted, including: single system sign on; integration of processes and data across systems and functions; better use of collaborative tools; and continuation of free WiFi access.
8. Reports have been presented on two pilot studies aligned to the Ways of Working theme: one involving the collection of information on staff in the Town Clerk's Department to support the development of core "workstyles" (i.e. fixed

office worker , agile worker, mobile worker, home worker); and the other involving changing working practices to accommodate IS Division staff who will be relocating from Guildhall Yard East into the Guildhall Justice Rooms.

9. For its January meeting, the Board held a facilitated workshop, discussing and comparing the expected strategic outcomes from each workstream, with the aim of developing a common vision of transformation for the organisation from each of the current work streams. The outputs from the workshop are currently being reviewed to estimate the likely timescales for delivery and map the key interdependencies.
10. **Visit to Northamptonshire County Council** On 14th January 2013, a small group of officers visited Northamptonshire County Council, to examine how they have used the production of performance information and prediction of future demand to drive efficiency and effectiveness across their key services. The visit allowed officers to discuss issues such as the challenges faced, how/whether these have been overcome, and what resources have been required to reach their current position. A report on the visit will be prepared for consideration by both Boards, with the intention of incorporating the learning points into work currently being carried out at the City, for example on Demand Management and the Management Information Dashboard.

Efficiency Board

11. The following key issues have been discussed at the Efficiency Board, chaired by Chris Bilisland, since the last sub-Committee meeting.
12. **Efficiency and Performance sub-Committee** At each meeting, the Efficiency Board discusses the support that it provides to this sub-Committee, including reviewing the sub-Committee's list of outstanding items and the potential departmental triggers. The Board has also considered a draft of an update report on the Department of Community and Children's Services Commissioning Strategy. These three issues are the subjects of separate reports on today's agenda.
13. **London Authorities Performance Management Network** The Board noted that London Councils has currently withdrawn proposals to publish the LAPS performance indicator dashboard on its website, subject to further consideration. The City has submitted data for quarter two of 2012/13 and received interim data for checking. The final output will be reviewed by the Board and reported to the next meeting of this sub-Committee. The Board also noted that London Councils intends to set up meetings with groups of borough performance officers regarding future benchmarking and sharing of best practice.
14. **Corporate efficiency/savings programme** The Board has received a series of updates on elements of the efficiency/savings programme, as follows:
 - a. **Income Generation Initiatives**: The Board discussed progress on the review of income maximisation, previously reported to this sub-Committee. Further work has now been undertaken, including an

analysis of income streams by Committee and department, and considering the priority areas for further work. Discussions will be held with key Chief Officers, including the Town Clerk, and the Comptroller & City Solicitor, the latter to consider the feasibility and desirability of introducing more commercially orientated trading structures for the City Corporation. A number of departments have been identified for direct engagement to discuss income generation and commercialisation potential, including Community and Children's Services; Culture, Heritage and Libraries, Markets and Consumer Protection and Built Environment. The income generation toolkit produced to assist with the analysis of income opportunities will be considered for application in specific areas as part of this engagement. An income generation and commercialisation project board will be established by the beginning of March, and where specific income generation projects are identified, resources and expertise to assist departments will be sought from the project board, staff who have completed the Ashridge leadership development training, and Chamberlain's staff.

- b. Third Party Payments and Supplies and Services: An interim report on the detailed analysis of all payments coded as "third party payments" and "supplies and services" has been considered by the Board. This includes details of where spend is subject to any other current or recent reviews (e.g. Department of Community and Children's Services Commissioning Strategy; City First; IS review), or within the scope of PP2P. The Board concluded that it wished to conduct a systematic review of this analysis at its meeting on January 31st.
- c. Grants: An analysis of all grants from City Fund and City's Cash, excluding the Museum of London and London Symphony Orchestra has been compiled and will be further analysed for alignment with the City Corporation's Key Policy Priorities to determine whether there are opportunities for savings that can be proposed to Members.

- 15. Savings from strategic reviews and other initiatives Appendix 1 shows the latest position in respect of the savings generated by the current programme of strategic and other reviews, as monitored by the Efficiency Board. Table 1 shows the reviews that have already generated savings during the current financial year (2012/13), along with the anticipated full year savings. Table 2 shows the same reviews, with the savings generated for the City Fund only. Members will recall that a savings target of £5 million per annum was set for the City Fund and this table shows that £4.93 million has been achieved. Table 3 shows the impact of the departmental budget reductions implemented in 2011/12. These are reported separately as they are additional to the £5 million target.
- 16. There have been two changes to the tables since the last report to this sub-Committee. The New Homes Bonus (table 3) for 2013/14 has been increased by £104,000 to £372,000, and the provision for one-off costs of change (also table 3) for 2012/13 has been reduced from £1,500,000 to £300,000.

17. In addition to the savings referred to above, a VAT refund of £9.8m (net of fees) has been secured and will be added to reserves in 2012/13. It has been agreed by the Resource Allocation sub-Committee that this is ring fenced, at least in part, as a reserve against any future VAT liability for breaching the de minimus threshold, rather than carrying a provision year on year. The provision of £2 million in 2012/13 and £1.5million p.a. from 2013/14 onwards (across City Fund and City's Cash) has therefore been removed.

Appendices

- Appendix 1 – Savings Schedule (as at 15th November)

Neil Davies

Head of Corporate Performance and Development

T: 020 77332 3327

E: neil.davies@cityoflondon.gov.uk

SAVINGS SCHEDULE
(as at 15th November 2012)

Notes:

	Savings shown are not cumulative – they indicate the savings achieved/anticipated in each year, compared to a base year of 2009/10 for most items.
	Forward figures are at current prices. They should only be inflated if inflation increases are to be provided in future years.

Table 1: Phase I Savings - all funds	Current financial year £000	Full year impact £000
Street Cleansing	581	581
Trade Waste	334	334
Public Conveniences	143	143
Unaccompanied Asylum Seeking Minors	50	50
HR Review (phases I and II)	300	300
IS Shared Services	428	428
Chief Officer Budget Reviews 2009	2,645	2,645
Barbican Estate Car Parks	197	197
Telecoms	77	77
Security Contract	50	50
Cleaning and Window Cleaning Contract	150	150
PP2P net (cost)/savings	(1,981)	493
Sub-total	2,974	5,448

Table 2: Phase I Savings - CITY FUND ONLY	Current financial year £000	Full year impact £000
Street Cleansing	581	581
Trade Waste	334	334
Public Conveniences	143	143
Unaccompanied Asylum Seeking Minors	50	50
HR Review (phases I and II)	177	177
IS Shared Services	293	293
Chief Officer Budget Reviews 2009	2,498	2,498
Barbican Estate Car Parks	197	197
Telecoms	44	44
Security Contract	27	27
Cleaning and Window Cleaning Contract	35	35
PP2P net (cost)/savings	(756)	554
Sub-total	3,623	4,933

Table 3: 2011/12 Budget Reductions	Current financial year £000	Full year impact £000
Departmental reductions 2.5%	3,880	3,880
Departmental reductions 10%	13,696	14,035
Museum/LSO/LSSO	800	800
New Homes Bonus (note 1)	268	372
Departmental reorganisations	134	550
Golden Lane Leisure Centre		
Contract	40	119
Academies support post	(39)	(39)
One-off costs of change	(300)	0
Sub-total	18,479	19,717

Notes:

1	Receivable for six years and be adjusted year on year for net additional dwellings
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Agenda Item 7

Committee(s):	Date(s):
Efficiency and Performance Sub Committee	30th January 2013
Subject: Department of Community and Children's Services' – Progress against the Commissioning Strategy	Public
Report of: Director of Community & Children's Services	For Information
<u>Summary</u>	
<p>This report updates Members on the progress of the Department of Community and Children's Services in implementing the 'Commissioning Strategy' which was approved by the Efficiency and Performance Sub-Committee in September 2011.</p> <p>In preparation for taking on the new responsibilities for public health and contract commitments of over £0.7m from April 2013 the department is restructuring its Strategy and Performance division to enhance commissioning capacity and has assumed responsibility for the Substance Misuse Partnership. For 2013/14 commissioning service reviews will prioritise public health contracts that are transferring from NHS City and Hackney as these will present opportunities to reconfigure existing services to ensure they are delivered more effectively for the City of London.</p> <p>A number of planned service reviews have been progressed or completed as part of the commissioning strategy including ;</p> <ul style="list-style-type: none">• Leisure Centre and Sports Development - completed• Supported Living – in progress• Youth Services – completed• Portsoken Early Intervention Review – in progress <p>Recommendations</p> <p>That Members receive this progress report.</p>	

Main Report

Background

1. In September 2011, the Director of Community and Children's Services presented a report to Members of the Efficiency and Performance Sub-Committee, setting out a detailed three year plan of service reviews under the umbrella title of 'the Commissioning Strategy'.
2. The Commissioning Strategy was developed in response to a comprehensive external review (April 2011) of commissioning arrangements within the Department. The review concluded that an increasing number of departmental services were being

commissioned alongside increased budgetary pressures, and identified that the department would need to review the way in which it delivered or commissioned services in preparation for the City's new health and wellbeing responsibilities in 2013.

3. Those new responsibilities are now enshrined in law through the Health and Social Care Act 2012 and include:
 - the City of London Corporation becoming responsible for commissioning and funding Public Health services for the City and
 - the formation of a health and wellbeing partnership to oversee
 - a) the development of a Joint Strategic Needs Assessment and
 - b) the production and delivery of a health and wellbeing strategy to meet those identified needs

The Commissioning Strategy Timescale

4. A Project Initiation Document (PID) was developed at the start of the Commissioning Strategy process and was approved by Community and Children's Services Committee in September 2011. The PID set out a two stage process which included:
 - Stage 1: an initial prioritisation process to be completed by April 2012. This included agreeing a methodology to assess services, a third tier managers reference group to carry out the assessment and an initial programme of reviews to be agreed by the Departmental Leadership Team.
 - Stage 2: implementation of reviews from September 2011 onwards.

Progress Against the Strategy and Associated Developments

5. In preparation for its new health and wellbeing responsibilities in April 2013, the departmental leadership team has restructured. The Assistant Director for Housing is responsible for services directly provided by the CoLC, the Assistant Director for People is responsible for assessing the needs of individuals who require services and assisting them to make their own choices and the Assistant Director for Partnerships and Commissioning (previously the Strategy and Performance Director) is responsible for managing contracts with partners.
6. The Substance Misuse Partnership has also joined the department to better align the prevention and wellbeing services provided by the City of London and is within the remit of the Assistant Director for People.
7. In line with the Commissioning Strategy plans agreed with Members, the following reviews have been completed or are underway:

Leisure Centre and Sports Development

8. The contract to manage the Golden Lane Leisure Centre and the sports development service within the City of London was awarded to Fusion Lifestyle. The contract commenced in January 2012 and the leisure centre's refurbishment was completed in March 2012. A saving of £116,000 has been made in Recreation budgets as a result of commissioning the service externally, contributing to the achievement of the 12.5% saving required by the Chamberlain in 2012/13.

Supported Living review

9. A project board was established in November 2011 and Phase One included a full assessment of all City of London clients who are unable to manage living independently in their own homes alongside the services currently available to meet their needs. The Community and Children's Services Committee received a full report on the Phase One recommendations (in December) and Members agreed a number of recommendations for Phase two including:
 - Reviewing the housing provision for ex-rough sleepers
 - Re-commissioning of tenancy support
 - deliver a more person-centred delivery model to assess need and eligibility for housing, social care or substance misuse support

Commissioning of Youth Services

10. A project board and youth advisory group were established in November 2011 and interim contracts were agreed for a number of youth services to ensure continuity of service. The board and the advisory group drew up specifications for five strands of youth services for the City and have just completed an extensive tender evaluation process. Contracts were awarded on January 11th at Community and Children's Services to three different third sector organisations; Prospects, City Gateway and 15 Billion at an annual cost of £180,000. Organisations will commence their mobilisation plans in January and take over new contracts from April 2013. The services to be contracted are: the provision of Information Advice and Guidance, Universal Youth Services, Targeted Youth Services, Youth Participation and Client Caseload Management Information System. The revised pattern of service provision for Youth Services is expected to result in a £428,000 saving in 2012/13 as part of the 12.5% savings required by the Chamberlain for that financial year.

Portoken Early Intervention review

11. This is the first area based review of a City of London ward and commenced in April 2012. It includes all early intervention services for children, young people, adults and older people that are provided in Portoken. A consultant, RocketScience, was selected in July 2012 to manage the review which includes all CoLC, health, voluntary and independent organisations providing services, including those not commissioned by the CoLC. A progress report was presented to the Portoken Working Party in November and the review is expected to produce its final report in March 2013.

12. The Project Initiation Documents or Associated committee reports for these reviews are available for Members who would like more details.

New review - Public Health commissioning

13. In April 2013 commissioning for public health for City of London residents will become the responsibility of the CoLC. Depending on the level of funding provided the CoLC will also provide some services that meet the public health needs of City workers. In preparation for this, officers have identified 400 contracts (Block, Local Tariff, or spot purchase) which are currently held by the North East London and City NHS cluster (NELC) and may be relevant to the City. They have been categorised as Jointly Commissioned (with LB Hackney), Hackney specific and City specific. The value of contracts to be managed by CoLC will be over £0.7m per annum so the Department is restructuring its Strategy and Performance Division to enhance commissioning capacity. Any associated costs will be met from the Public Health Grant of approximately £1.3million that will be paid to the City of London from 2013/14 onwards.
14. Assessments are being made to determine whether to novate, terminate or re-procure existing contracts to ensure safe transfer of key existing services for 2013/14 whilst developing a longer term strategic approach for 2014/15. The CoLC has agreed with Hackney to the continuation of a number of jointly commissioned contracts for 2013/14, so that further work can be done to establish the actual need, requirements and scope of provision for these services across both areas.
15. To this end, Community and Children's services have included the prioritisation of existing Public Health contracts for review as a key part of the Commissioning Strategy for 2013/14.

Learning from the Reviews

16. Throughout the series of reviews, officers have considered the 'lessons learnt' and how each subsequent review could use good practice or areas for improvement to build capacity for a review to deliver better outcomes. Key learning points to date have included:
 - The need for a clear vision of what the review is to achieve
 - Be people focussed rather than service focussed
 - A greater need for a single or shared method of gathering contract and performance information to give more flexibility
 - A need for some basic initial training for those involved in reviews (i.e. flow chart of the processes etc)
 - Essential early buy in of the project with partners and the inclusion of review participation within contracts.

Financial Implications

17. A summary of the department's budget is shown in appendix 2 referencing which reviews are linked to each major cost centre.
18. The cost savings made on the reviews of Sports Development and the provision of Youth Services total £544,000. This was a significant contribution towards the necessary cost savings required by the Chamberlain in 2012/13

Consultees

19. Town Clerk and Chamberlain have been consulted in the preparation of this report.

Contact:

Sarah Greenwood |sarah.greenwood@cityoflondon.gov.uk | 0207 332 3594

Background papers:

- Efficiency and Performance Sub Committee Paper: Department of Community and Children's Services Efficiency Review (September 2011)
- Community and Children's Services Committee Paper: Commissioning Strategy (December 2011)
- Community and Children's Services Committee Paper: Commissioning Strategy Progress and Purchasing Intentions 2012 – 2013 (June 2012)

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Appendix 1: Summary of Progress on Proposed Reviews and Ongoing Commissioning of services

(shown in the order they were originally prioritised by the Departmental Leadership Team)

Review	Prioritised Services proposed for inclusion	Status
1. Sports Development	Management of Golden lane Leisure Centre Development of Sports Provision and promotion within the City of London	Complete
2. Supported Living	Supported Housing Team, Supported hsg A: Tudor Rose Ct. Supported hsg B: Guinness Trust Supported hsg C: Middle Street Homelessness and Hsg options (part) Mental Health Supported Living; Looked After Children and Care Leavers Telecare (part) On Street Services (part) Residential and Nursing Care and Supported Hsg.	First phase complete Second stage Underway
3. Portsoken (early intervention)	Play Service (part) Community Development & Health Advisory project Early Intervention Services (part) Youth Service (part) Sports Development (part) Adult Education (part) Libraries (part) Information & Advice Services (part) Education & Early Years (part) SJC and CC&FC (part)	Underway
4. DFG/ Major Adaptations	Disabled Facilities Grant Property Services (Tenants adaptations budget)	Not yet commenced
5. Early years support & childcare and SJC Child & Family Centre	Early Years Support & Childcare Cass Child & Family Centre Early Years Assessment & Childcare	Underway
6. Youth Service/Play Service	Expand current Youth Service Review to include Play Service	Complete
7. Resident involvement & adult participation	Resident involvement and policy division (part) Community involvement & participation (City LINK) Strategy & Performance (part) Adult Advisory Group [potential for including other CoL services]	Underway - Healthwatch being Commissioned for start in April 2013
8. Information & advice services and communications	Family and Young people's information service; Resident Involvement and Policy division; Information & Advice Services. Policy & Communications Team (part)	Underway Internal and external communications functions within Policy and Communication team have been consolidated with the Family and Young

Review	Prioritised Services proposed for inclusion	Status
		People's Information Service from October 2011.
9. Public Health contracts	Review of City relevant Public Health contracts to determine new contracts for 2014/15	NEW - Planned for 2013/14
10. Adult Education and Community Learning	Adult Education Administration; Adult Education and Tuition	Planned for 2013/14

Appendix 2: Summary of Departmental Cost centres and links to the Commissioning Strategy reviews

	Service	2013/14 Controllable Costs (Local risk)	2013/14 Central risk Expenditure	2013/14 Income	2013/14 Surveyors R&M	2013/14 Recharges	2013/14 Total net Expenditure / (Income)	Expenditure
		£'000	£'000	£'000		£'000	£'000	
DAP00	Supervision & Management (*)	1,429	0	-17	0	-1,412	0	Employee costs/ central recharges (Support services, IS recharges, Admin buildings etc).
DBG00	Services to adults	2,353	0	-54	0	473	2,772	Adult social care packages including support at home & residential placements, closure of in-house Home Care / employee costs. <u>Review Nos 2 & 4</u>
DBE00	Services to Older People	1,607	0	-293	0	281	1,595	Older People social care packages including support at home & residential placements, closure of in house Home Care / employee costs. <u>Review Nos 2 + 4</u>
DBL60	Occupational Therapy	193	0	-40	0	-153	0	Employee expenses and contract with Milbrooks for equipment
DBM20	Commissioning	730	526	-806	0	447	897	Contract for management of Green Box Centre, Information and Advice & Healthwatch. Also includes taxi card / concessionary fares expenses <u>Review Nos 3, 7 and 8</u>
DBM40	Adult & Community Learning	1,297	0.00	-1,262	23	22	80	Employee costs/ running expenses of the Adult Education Centre & contract with Hackney Community College, Bishopsgate Institute. <u>Review No 10</u>
HC09	Recreation	56	0	0	0	178	234	Contract with Fusion <u>Review No 1</u>
DBL80	Service Strategy (*)	0	0	0	0	453	453	Departmental recharges
DBP30	Child Social Care	402	494	0	0	53	949	Children's social care packages including support at home and accommodation / employee costs
DBP10	Early Years	1,367	228	-1,208	21	93	501	Cass Child & Family Centre, Childrens Information Service, Early assessment & Childcare. Main budget headings are employees, professional fees <u>Review No 5</u>
DBN10	Schools delegated Budget	0	1,672	-1,696	0	24	0	Budget is passported to Sir John Cass School and is managed by them

DBN30	Other Schools related activities	352	599	-936	8	56	79	Special Educational Needs support, external catering contract with Brookwoods for SJC, Home to school transport. Review No 5
DBN50	Asylum Seekers service	0	474	-131	0	92	435	Accommodation & Support costs for Asylum seekers
DBS40	Youth Service	267	0	-25	0	134	376	Costs for interim contracts with Bubble & Brit, Skyways & 15 Billion / employee costs Review No 6
DBR20	Student Support	0	0	-1,043	0	676	-367	Rent income for Calcutta House. As it is rented out for educational purposes, was agreed that budget should sit within DCCS
DBN08	Strategic Management (*)	0	0	0	0	520	520	Departmental recharges
DAT50	Other Housing Services	305	0	-286	0	38	57	Employee costs / Spitalfields Social Housing, Housing advice, temporary accommodation.
SAU10	Homelessness	706	0	-148	0	42	600	Employee costs / contract with Broadway (rough sleepers project), The lodge (including contract with St Mungos) Review No 2
DAT90	Benefits Admin	252	6,200	-6,248	0	26	230	Employee costs, Housing benefit payments / income. Under review as part of the Governments Welfare Reform Programme.
DAT70	Supporting People	618	0	-128	0	53	543	Employee costs / accommodation costs for clients in supported living. Review No 2
DAT80	Service Strategy - Housing (*)	18	0	0	0	1	19	
	Public Health	1,300		-1,300				Employee costs and contracts with a wide range of former NHS providers. Review No 9
		13,252	10,193	-15,621	52	2,097	9,973	
(*) These are holding accounts - all expenditure/income for the year is recharged out across the other areas based on various things (eg amount of time spent on certain areas, no of PC's, no of staff etc)								

Agenda Item 11

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