



Efficiency and Performance Sub (Finance) Committee

Date: WEDNESDAY, 22 JANUARY 2014

Time: 1.45pm

Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members: Roger Chadwick (Chairman)
Jeremy Mayhew (Deputy Chairman)
Randall Anderson
Nigel Challis
Deputy Anthony Eskenzi
John Fletcher
Jamie Ingham Clark
Ian Seaton
Deputy John Tomlinson
Vacancy

Enquiries: Philippa Sewell
tel.no.: 020 7332 1425
philippa.sewell@cityoflondon.gov.uk

Lunch 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 6 November 2013.

For Decision
(Pages 1 - 4)
4. **OUTSTANDING ISSUES**
Report of the Head of Corporate Performance and Development.

For Information
(Pages 5 - 10)
5. **TRANSFORMATION AND EFFICIENCY BOARDS UPDATE**
Joint report of the Deputy Town Clerk and the Chamberlain.

For Information
(Pages 11 - 18)
6. **90 DAY REVIEW OF THE CITY OF LONDON PROCUREMENT SERVICE (CLPS)**
Report of the Chamberlain.

For Information
(Pages 19 - 24)
7. **TRIGGER REPORTS**
Report of the Chamberlain.

For Information
(Pages 25 - 30)
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.

For Decision

Part 2 - Non-Public Agenda

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 6 November 2013.
For Decision
(Pages 31 - 32)
12. **COMBINED HEAT AND POWER SYSTEM - ANNUAL REPORT 2012/13**
Report of the City Surveyor.
For Information
(Pages 33 - 48)
13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

This page is intentionally left blank

EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Wednesday, 6 November 2013

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at Committee Rooms - West Wing, Guildhall on Wednesday, 6 November 2013 at 11.30am

Present

Members:

Roger Chadwick (Chairman)
Ray Catt (Deputy Chairman)
Randall Anderson
Nigel Challis
John Fletcher
Jamie Ingham Clark
Ian Seaton
Deputy John Tomlinson

In Attendance

Officers:

Susan Attard	- Deputy Town Clerk
Neil Davies	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Philip Everett	- Director of the Built Environment
Caroline Al-Beyerty	- Chamberlain's Department
Jeremy Mullins	- Chamberlain's Department

1. APOLOGIES

Apologies were received from Jeremy Mayhew and Deputy Anthony Eskenzi.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE 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 17 July be approved as an accurate record.

4. OUTSTANDING ISSUES

The Committee received an updated schedule of outstanding actions and noted the following items, which would be discharged on today's agenda:

- Chamberlain's Departmental recharges – Value for Money analysis.
- London Councils' Performance Dashboard – future reports to include comparisons with previous quarters.

- Internal staff costs in projects – the Chamberlain to 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. Members noted that this was a high priority item.

5. **TRANSFORMATION AND EFFICIENCY BOARDS UPDATE**

The Committee received an update on the above boards; noting that the Transformation Board had met three times since the last Sub Committee Meeting and the Efficiency Board had met twice.

During the debate, the following items were raised/noted:

1. Agilisys had given a presentation to the last meeting of the Information Systems Sub Committee, which had been very well received.
2. The Finance Committee had agreed to accelerate the closedown with Accenture, bringing the service back in house. In response to a request from the Chairman, the new Head of the CLPS would attend the next meeting of the Sub Committee to present an action plan for improving compliance with revised processes.
3. The Comptroller and City Solicitor was drafting a protocol for legal services, setting out the division of responsibilities and broad principles of engagement. It was suggested that professional legal charges be considered as part of the service based reviews.
4. The importance of effectively monitoring social media in managing the City's reputation and recognition that this might need specialist knowledge.
5. Planning for the next tranche of savings was underway, as part of the service based reviews, and the resulting programme would be monitored by this Sub Committee.
6. In respect of the Performance Dashboard, members noted that the same boroughs did not always provide information for the same indicators. The Chairman asked for more clarity in the next report.
7. Two corporate plan workshops had been planned for December and all members would receive an invite later this week.

6. **CIPFA VFM INDICATORS 2011/12**

The Committee received a report of the Chamberlain, which outlined the movement in the CIPFA Public Sector Corporate Services VFM indicators for Finance between 2011/12 and 2010/11 and also outlined the results of comparisons for HR, Legal and Democratic Services. Members noted that the comparator base used was London Boroughs and large Metropolitan Councils/Unitary Authorities.

During the debate the following issues were raised/noted:

1. This had been a very useful exercise and the results had been used in the service based reviews.
2. The City of London Corporation had not cut its staff training programme, as had been the case with many local authorities.
3. Some financial systems were out of date but once they had been upgraded they would drive further efficiency savings.
4. Insourcing of the Liberata contract was progressing.
5. In order to make further savings in printing and paper, succinct report writing was being encouraged. It was suggested that large reports, being presented to several committees, should be available on-line only and circulated via a pdf.
6. It was suggested that, given that the City was so unique, it should not be compared with other London Boroughs. The Financial Services Director confirmed that other benchmarks were also used to assess performance throughout the Corporation and offered to give members a further explanation, on request.
7. In response to a suggestion that costs in respect of the City Corporation's property development role should be removed, it was noted that the cost of investments were compared across similar organisations but a full set of comparators would require a very large and complex report. Members noted that the City was high in the 'WM Index', which was used for charity benchmarking.
8. Whilst in-house services should be favoured, when they are the most cost effective, members noted the necessity for specialist advice in some areas; i.e. property transactions. The Chairman asked for the next report to show trends and where fees were increasing.

7. **SUPPLIES AND SERVICES AND THIRD PARTY PAYMENTS**

The Committee received a report of the Chamberlain, setting out themed efficiency review exercises for Supplies and Services and Third Party Payments; particularly items falling outside of PP2P.

During the debate the following items were raised/noted:

1. Members agreed that this was a worthwhile exercise and suggested that the information be shared with other service committees.
2. The level of subscriptions expenditure was questioned but members noted that the reported figure might be impacted by mis-codings; i.e. professional subscriptions being coded with subscriptions for journals/publications. The Financial Services Director advised members that mis-codings were reviewed regularly and the Chamberlain's staff worked with budget holders to ensure they were kept to a minimum.

3. Members were assured that scope for mis-codings would not apply to high level projects; the level of security was much higher and Internal Audit has found the process to be very robust.
 4. The Deputy Town Clerk agreed to implement a suggestion that someone in Town Clerk's be a point of contact for members who no longer required particular journals or publications, in order to drive costs down further.
 5. The total in table 1 for 'other departments' was questioned, but it was noted that it included a large number of sub-departmental units.
8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.
9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There was no other business.
10. **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 (s) | Paragraph No(s) |
|-----------------|------------------------|
| 11-12 | 3 |
| 13-14 | - |
11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
RESOLVED - That the non-public minutes of the meeting held on 17 July were agreed as an accurate record.
12. **STAFF COSTS CHARGED TO PROJECTS**
The Committee considered a report of the Chamberlain, in response to a request from the Chairman of Finance.
13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.
14. **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 business.

The meeting ended at 1.10pm

Chairman

**Contact Officer: Julie Mayer tel no 020 7 332 1410
julie.mayer@cityoflondon.gov.uk**

Agenda Item 4

Committee:	Date:
Efficiency and Performance Sub Committee	22 January 2014
Subject: Outstanding Actions	Public
Report of: Head of Corporate Performance and Development	For Information
Summary At the 18 th September 2012 meeting, Members agreed to receive an updated schedule of outstanding actions at each meeting, with previously agreed closed actions removed. The attached schedule includes all actions that remained open following the last meeting, together with updates from the responsible officers. There are no actions recommended for closure at today's meeting.	

Neil Davies

Head of Corporate Performance and Development

T: 020 7332 3327

E: neil.davies@cityoflondon.gov.uk

This page is intentionally left blank

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 7/1/2014)

	Meeting Date and Item	Action	Officer responsible and target date (where applicable)	Progress updates	Priority (High / Medium / Low)
3	Departmental report – Barbican Centre				
3.1	Report to 24/11/11 meeting: Item 12 Barbican Centre Update	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.	Chamberlain/ Managing Director of the Barbican Centre Update as necessary	August 2012 – No issues requiring Member attention. Financial forecast for 2012/13 within budget. November 2012- No issues requiring Member attention. Financial forecast for 2012/13 within budget. Forecasts for 2013/14 are currently being compiled.	Medium
4	Improved co-ordination (“Joining-up”) between Mansion House, Guildhall complex and the Central Criminal Court				
4.2	Report to 17/7/13 meeting: Item 6 Inter-Departmental Events Co-ordination	Members requested a progress report in one year's time.	Remembrancer July 2014	n/a	Low

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 7/1/2014)

7	Efficiency Board issues				
7.2	Report to 18/9/12 meeting: Item 5 Triggers for departmental reporting	Members asked for a review of the triggers after 6 months of operation	Chamberlain January 2014	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.	Medium
7.3	Report to 30/1/13 meeting: Item 5 Triggers for departmental reporting: “50 Ways to Save”	Members requested that officers review and report back on the incentives offered to staff who suggest good ideas through the City Corporation’s Staff Suggestion Scheme and also the level of uptake.	Deputy Town Clerk March 2014	May 2013: Members noted proposals for a full review of the Staff Suggestion Scheme, which were subsequently agreed by the Establishment Committee. September 2013: Proposals for a revised scheme were approved by the Performance and Strategy Summit Group. A detailed specification is being produced and software packages for suggestion management are being evaluated.	Medium
7.5	Report to 8/5/13 meeting: Item 5 Transformation and Efficiency Boards - update	A report to be presented on the review of Supplies & Services and Third Party Payments .	Chamberlain May 2014	November 2013: Update report presented to sub-Committee. Results of on-going reviews to be reported in 2014.	Medium

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 7/1/2014)

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>March 2014</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> <p>June 2013 – A report is scheduled for the September meeting.</p> <p>July 2013 – A project board has been formed to progress the joining up of the City's Contact Centre and Police Command Centre, following agreement of the key principles. The project board is due to meet on 16th July, followed by a tactical workshop on 18th July.</p> <p>November 2013: A comprehensive review is being undertaken of all collaborative/shared services – first draft discussed at Transformation Board on 5th November.</p>	<p>Low</p>

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE (EPSC) - Outstanding Actions (as at 7/1/2014)

9	Miscellaneous				
9.2	Report to 18/9/12 meeting: Item 5 Transformation and Efficiency Boards update	Minutes of Transformation Board (TB) and Efficiency Board (EB) to be sent to selected Members for their information.	Head of Corporate Performance and Development Monthly	March 2013 meetings – sent 2/7/13 April 2013 meetings – sent 2/7/13 May 2013 meetings – sent 19/9/13 June 2013 meetings – sent 19/9/13	Low

Agenda Item 5

Committee:	Date:
Efficiency and Performance Sub Committee	22 January 2014
Subject: Transformation and Efficiency Boards - update	Public
Report of: Chamberlain and Deputy Town Clerk	For Information
Summary <p>Since the last sub-Committee report was finalised, the Transformation Board and the Efficiency Board have each met twice.</p> <p>The Transformation Board has discussed the outcomes of a flexible working pilot in the Town Clerk's Department, a proposal for a corporate re-use/recycling scheme, and a report on collaborative/shared services. The Board also received a presentation from the Chief Information Officer on the work of the IS Strategy Board, 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 the service-based review process, a number of reports published recently by the Audit Commission and by the Chartered Institute of Public Finance and Accountancy, and how it can continue to support the work of this sub-Committee.</p> Recommendation <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**: The three-month transition of operational services was completed on time at the end of November. The key focus has been on getting the basics right, with an early success being the transfer of Service Desk agents to an integrated and larger base in Barking. The Strategic Partnership is developing well, with IS staff working closely with Agilisys on a number of strategic projects, and a series of service and process improvement projects will continue to run throughout 2014.
 - b. **CLPS**: Service Delivery within CLPS has continued to improve against key corporate measures (e.g. 30 day payment term invoices; % calls answered). Departmental compliance continues to be monitored and escalated where necessary. Training and support is being offered to departments to help reach a common understanding of the end-to-end process and any challenges. Recruitment is in progress for 6 of the 9 roles currently held by Accenture resources. Key Accenture staff will be retained on a quarter by quarter basis until recruitment has been completed. Savings from the PP2P project are reported in Appendix 1 to this report.
 - c. **Strategic Finance Review**: Events to formally launch the money dashboard, business partnering handbooks, and training took place in October and December with a further event taking place on 17 January, at which time over 140 budget managers will have attended an event. Budget Manager eLearning modules are in development, incorporating business partnering initiatives. The first concerning financial management at the City will be launched by the end of January and a second on budget management will be available in the spring. Further modules on strategic finance, project finance and financial reporting will be developed in due course. Work is ongoing on the quality of financial information in CBIS alongside the Oracle R12 project.
 - d. **HR**: The final staffing structure is in place, but recent resignations have caused a further review which is underway at present. Further developments in the iTrent recruitment module are being piloted.
 - e. **Accommodation** All construction works and moves were completed within the overall £600k approved budget. Guildhall Yard East has been vacated, with the exception of the Contact Centre, which is due for relocation to a temporary home in early 2014.
4. **Flexible Working Pilots** The Board discussed a report on the outcomes from a flexible working pilot with two small teams in the Town Clerk's Department. The pilot demonstrated that it is possible for staff classified as 'Agile' (based within the office but attending meetings or away from their desk base for a significant amount of time during the working week) to work successfully in a flexible way, using a smaller office footprint, without having an adverse impact on performance. Both teams experienced benefits to their work/life balance

and are keen to continue with the current arrangements. It was also noted that the Internal Audit Section have recently introduced flexible working arrangement on a wider scale.

5. The Board discussed some practical issues that were noted in the report as being appropriate to a larger roll-out of hot desking and remote working, including: a robust and reliable IT infrastructure; appropriate training for management and staff; the use of appropriate productivity measures; the need for HR policies to cover the key issues that will arise as a result of the adoption of these working practices; and the provision of a clear strategic direction that spells out the commitment to flexible working principles, and the benefits that they offer.
6. **Corporate Re-use System project** The Board considered a proposal for the implementation of a one year pilot of a corporate re-use system, initially at Guildhall and Walbrook Wharf. The system will be managed by the Department of the Built Environment, through a specialist contractor (WARPit) and will take unwanted office equipment which is no longer needed and offer it via an online portal to other members of staff or teams who may need them. The aim is to save money, reduce waste and be a more efficient way of managing our resources. The report noted significant savings made at other organisations, including the Metropolitan Police Service and two County Councils. The Board supported the proposal and requested a report back on the progress of the scheme at a future meeting.
7. **IS Strategy Board workshop** The Board received a presentation by the Chief Information Officer on the role of the IS Strategy Board, including: ensuring that the technology portfolio supports the City's objectives; supporting and advocating change within departments; and giving support to the strategic management of the IS Portfolio and to the delivery of the IS Strategy. Four key themes were discussed: customer access and services; better working practices; building an effective Corporation; and promoting the City. Key outcomes that have been identified for customers, staff and Members include:
 - providing a flexible set of channels to access services;
 - giving the customer and the Corporation one view of their interactions with each other;
 - supporting flexible technology and working practices;
 - providing a set of personalised tools through a single place (intranet / desktop), enabling timely and robust decision making, and
 - providing a consolidated and structured set of systems, to allow a "single view of the truth", providing an overview of performance and facilitating sound business decisions.
8. The Board noted that the next steps included communication with Chief Officers and departmental management teams, engagement with business areas across a range of specific projects; and providing regular progress reviews and sign-off reports for IS sub-Committee.
9. **London Collaborative Efficiency Network** Officers continue to attend meetings of the LCEN, and report back on issues discussed. The November meeting featured a presentation on "Re:Fit", a programme to retro-fit energy

conservation measures on council/public buildings, schools and businesses, resulting in cost savings and reductions in their carbon footprint. The Network also received feedback from the sub-regional partnerships representing North, West, East, South-East and South-West London, covering key service areas: adults, children, environment, property, procurement, public health and IT.

10. **Collaborative/Shared Services** The Board considered a report discussing collaborative, or shared, services; defined as activities involving the consolidation and sharing of services by different units within or beyond an organisation, with the objective of delivering efficiency savings and/or greater effectiveness. The report set down some of the strengths and weaknesses of such arrangements, and briefly described the current position at the City Corporation. This showed that there is significant activity going on within a number of departments. The Board requested further work on the outputs and financial benefits to be carried out and reported to at a future meeting.
11. **Review of terms of reference** The Board discussed its terms of reference, including its key responsibilities, membership and the frequency of meetings. The Board agreed to review its membership, in particular discussing whether a smaller core group should be formed to more closely monitor and track progress on a portfolio of key change projects, with a larger group meeting less frequently to disseminate the lessons learned, experiences of running change programmes elsewhere and other wider issues.

Efficiency Board

12. The following key issues have been discussed at the Efficiency Board, chaired by Chris Bilisland, since the last sub-Committee meeting.
13. **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. External triggers considered by the Board include:
 - *Austerity and Beyond* – report by Chartered Institute of Public Finance and Accountancy
 - *Protecting the Public Purse* – annual update by the Audit Commission
 - *Income from Charging* – report by the Audit Commission
 - *Business Rates* - report by the Audit CommissionA separate report, from the Chamberlain, on triggers is presented on today's agenda.
14. **Service-Based Reviews** The Board discussed aspects of the service-based review process, including : the outcomes from the Resource Allocation sub-Committee meeting in October; the increased savings target; City of London Police funding; the key risks to the current financial forecasts; the need for deeper scrutiny of some services; generating headroom for new initiatives, and examining the future shape of services. The Board also discussed the report presented to the Resource Allocation sub-Committee meeting in

December, and proposals for engaging external assistance in data collection and the generating of benchmarking information.

15. **Review of terms of reference** The Board considered its terms of reference and agreed that these should be updated to clarify that the Board's role is to make recommendations to Chief Officers and Members. It was also noted that a 'mapping' exercise of all key officer groups was being undertaken.
16. **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 generated savings during 2012/13 along with the anticipated 2013/14 savings. Table 2 shows the impact of the departmental budget reductions implemented in 2011/12, and table 3 shows the target reductions from the 2013/14 and 2014/15 budget reductions.
17. Since the last report to this sub-Committee, the 2013/14 figure for PP2P savings (table 1) has been updated.

Appendices

- Appendix 1 - Savings Schedule (as at 18th November 2013)

Neil Davies

Head of Corporate Performance and Development

T: 020 77332 3327

E: neil.davies@cityoflondon.gov.uk

This page is intentionally left blank

SAVINGS SCHEDULE
(as at 18th November 2013)

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	2012/13 £000	2013/14 £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	(1,941)	1,295
Sub-total	3,014	6,250

Table 2: 2011/12 Budget Reductions	2012/13 £000	2013/14 £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 (note 2)	134	345
Central Market rents/Service Charges	0	1,000
Golden Lane Leisure Centre		
Contract	40	119
Academies support post	(39)	(39)
One-off costs of change	(300)	0
Sub-total	18,479	20,512

Table 3: 2013/14 and 2014/15 Budget Reductions	2013/14 £000	2014/15 £000
All funds - Departmental reductions 2%	664	2,460
City Fund - Departmental reductions 2%	465	1,598

Notes:	
1	Receivable for six years and be adjusted year on year for net additional dwellings
2	Full year impact: £550,000 (from 2014/15)

Agenda Item 6

Committee	Date
Efficiency and Performance Sub Committee	22 nd January 2014
Subject: 90 day review of the City of London Procurement Service (CLPS)	Public
Report of: Chamberlain	For Information

Summary

This report is the result of the 90 day review of the City of London Procurement Service (CLPS) carried out by Nick Haslock at the request of Chris Bilsland, Chamberlain.

The CLPS has been in existence for approximately 9 months which is a long enough period of time for problems and issues to come to light. The withdrawal of Accenture from the PP2P project is also set for March 31st 2014 so there is an obvious opportunity to recognise what has gone well and address areas where performance could be improved before the transition to a wholly in-house operation

Much of what has been introduced by the CLPS has gone well and the assumption is that good practise will be maintained and used as a base on which further improvements can be made. The report therefore focuses on areas for development that can be introduced in a 12 to 18 month timeframe. These can be divided into process improvements, staff performance issues, team structure and a consideration of contract management.

Recommendation: Members are asked to:

Note the observations made in this report.

Main Report

Purpose of Report

1. This report provides members with the results of the 90 day review of the CLPS carried out by Nick Haslock, the new Head of CLPS, since his arrival on 4th November 2013.

Process

2. The throughput of the accounts payable team is significantly below industry best practise. On average each team member processes 300 invoices per week against a best practise level of 1500 invoices per week. This significant gap is a result of both process and people issues but it leads to an Accounts Payable (AP) function is larger and more expensive than it should be for an organisation of the size of the City of London Corporation (COL).

3. A high performing AP function relies on minimal manual intervention. If this is to be achieved the key initial requirement for the majority of transactions is the creation by the business of correctly formatted Purchase Orders (PO) that can be seamlessly matched to received invoices. Current statistics show that a PO was not available prior to invoices being received for 36% of the transactions where a PO should be generated. This figure is made up of instances where a PO was provided retrospectively (23%) and instances where a PO was not provided at all (13%).
4. Approximately 1700 people within the COL have the ability to raise requisitions and for many of these it is an infrequent and comparatively unfamiliar activity. This leads to errors so even in instances where a PO has been raised it is not always possible to match invoices without some manual intervention. From early 2014 suitably skilled CLPS staff will be released from general duties on a periodic basis to provide one to one training in the departments in an effort to improve the levels of PO compliance. This can only be a short term response and a recommendation will be made to the Establishment Committee to request the recruitment of a specialist training resource to carry out this role on a long term basis.
5. An increased and more creative use of electronic catalogues will improve the quality of requisitions being raised and allow more invoices to be matched first time. E-catalogue functionality is available in the CBIS finance system but it is currently only used for stationery and cleaning consumables which together account for approximately 1% of total spend. Catalogues can be used for anything where a unit rate has been agreed and they provide a quick and accurate method of raising requisitions. Specialist resource will be provided by Accenture under the PP2P project to recommend improvements to the use of catalogues during the first quarter of 2014.
6. Due to the varied nature of the activities carried out by the COL approximately 40% of the transactions processed by the AP function are PO exempt. These are transactions such as rent refunds, expenses claims and payment of utilities invoices where the generation of a PO is impractical and invoice matching becomes a complex and manual process. This high level of PO exempt transactions is a further restriction on the ability of the CLPS to achieve best practise levels of AP throughput
7. Consolidated billing and subsequent electronic file uploads can be used to reduce the volume of individual paper invoices and most utility providers are keen to offer this type of solution. As physical utility bills are not provided it does require a change in working practises as the belief is that a bill can only be paid once the individual consumption level has been verified. In actuality it is possible to use automatic means to verify bills prior to payment or pay consolidated bills once they arrive and arrange for retrospective credits which most utility providers are more than happy to provide.
8. Expanding the use of Purchasing Cards in the COL will also lead to greater efficiency in the AP function by further reducing the volume of low value invoices. Purchasing cards operate in the same way as a credit card but they can be restricted to certain types of purchase and by single transaction value. The level of reporting available on a Purchasing card is also much greater than that

typically provided on a monthly credit card statement so they provide a very visible method of tracking purchasing activity. Interrogation of these reports will suggest future opportunities for the strategic sourcing team and by consolidating spend through the card issuer the volume of invoices presented to the AP team will reduce. A paper considering the options for the use of Purchasing Cards in the COL will be presented to the Finance Committee in early 2014.

9. Reducing the volume of low value invoices and improving the quality of purchase orders generated will support the use of e-invoicing where suppliers post electronic copies of their invoice on a web portal. Suppliers will receive real time information showing the stage in the payment process that the invoice has reached and the use of e-invoicing will lead to a fully electronic process from requisitioning through to payment. This will generate further efficiencies in the AP function and will support our SME and local supplier engagement policies by speeding up payment and improving cash flow.

People

10. The CLPS has been set up on class leading lines but in order to achieve class leading performance, which is a stated aim of the PP2P project, high performing staff will need to be recruited and retained. A small number of people with the right skills can have a significant impact but these skills are also in demand from private sector organisations that may have more flexible recruitment policies.
11. The CLPS is a large team (62 heads) but it suffers from a disproportionately high number of staff with problems including long term health issues, poor attendance, inadequate skills and low motivation. As an illustration of this the AP function accounts for 32 heads, 24 of whom have recognised training requirements and 8 of whom are going through formal attendance or performance management processes. In a number of key areas the performance of the CLPS is being maintained by the Accenture team members and there is a recognised risk that levels may fall once the Accenture presence is reduced.
12. The information originally available to the CLPS was incomplete so certain assumptions had to be made around likely volumes of work when the structure of the sourcing team was agreed. These assumptions have proved to be rather optimistic and a larger number of potential sourcing projects have been revealed than where originally planned for. In addition to this the large contracts with high potential for saving have now been let so in order to continue to generate savings the 2014 and 2015 project plans will necessarily focus on smaller value contracts where the savings potential is not so great. Each procurement project has a similar resource impact regardless of the value so the move to a higher volume of lower value projects will require additional skilled sourcing resource if savings are to be maximised.
13. The process of embedding change is not yet complete and if momentum is lost once Accenture depart then the aims of the PP2P project will not be fully realised. The effectiveness of the change partner network has been patchy and in some departments the level of engagement with PP2P and perception of the CLPS is quite poor. The original team structure allowed for a named member of the sourcing team to act as a business partner for each department but in many cases the individuals selected did not possess the required influencing and change management skills to act in this capacity. Although the idea of naming

business partners is sound, and has precedence within the HR function, it has not been an overall success.

14. The CLPS is currently structured around three teams – Accounts Payable, Sourcing and Policy & Compliance - but as the Accenture presence declines there is an opportunity to re-structure the CLPS and take account of the learning opportunities that have presented themselves since the CLPS was formed. Sustainable procurement resource should be brought into the Compliance team, the Sourcing team should be re-organised with multi-skilled sourcing resource at both junior and senior levels and the accounts payable team will naturally decline in size as the requirement to manually process large volumes of invoices lessens. This will allow for the formation of a fourth team within the current staffing budget that will focus on training, reporting and customer service. This team will actively work with the departments to change behaviours, drive up levels of compliance and improve the perception of the CLPS.

Risks

15. Since its inception the PP2P project has delivered approximately £21.5 Million of projected savings. These savings will only actually come to fruition if the contracts set up by the CLPS are actively managed throughout their life to ensure that scope creep is controlled, price variations are challenged and contract requirements are adhered to.
16. The report 'Making Savings from Contract Management' presented by the Local Government Association (LGA) recommends that local authorities invest in contract management in order to drive ongoing savings and continuously improve the services provided by third parties.
17. The LGA states that effective contract management requires a commercial outlook, advanced negotiation skills, knowledge of contract law and an understanding of cost and value but also acknowledges that such skills are often in short supply across the public sector. This puts organisations at a disadvantage in their dealings with external providers and leads to the provision of services that are less efficient and at a higher cost than they need to be.
18. Contract management is not currently part of the scope of the CLPS but the key skills required for effective contract management are the same skills that are already contained within the central procurement team.
19. A consistent presence in both the procurement and ongoing management of the contract will also ensure that the contract is correctly interpreted, the original objectives are achieved and that any learning obtained throughout the life of the contract will be incorporated the next time the requirement is put to the market.
20. It may help to consider Contract Management as having two aspects: operational service delivery, which should rest with either the individual department or a specialist department such as City Surveyors, and the strategic overview of contractual compliance and variation which the CLPS should be actively involved in. The exact spread of responsibilities between departments, specialist departments and CLPS can be determined using a matrix considering spend and criticality with more central control being applied to high value and high risk contracts.

21. Winning new business is a risky and expensive activity for a supplier so their preference is often to retain and grow existing business. They will put time and effort into developing a relationship with a client in the hope that it will become difficult for the client to take their business elsewhere. When correctly done the client will feel comfortable with a supplier, offer them more work outside of the original contract scope and potentially resist attempts to bringing the contract to a close upon its natural expiry.
22. A properly structured Contract Management regime under the direction of correctly skilled professionals can ensure that the relationship between Client and Supplier can be maintained at a business-like and professional level. This is not to say that a more personal relationship cannot develop but it will ensure that this is done with the knowledge that the commercial aspects of the relationship must always be considered. Contract extensions can be planned in advance and offered as a reward for continued good performance or continued costs savings. Enhancements to the scope of the original contract can be correctly considered and costs can be negotiated in the light of knowledge around the capabilities of other suppliers in the market.
23. Awarding additional business to an existing contractor is a prize that will be valued and as such it should not be given away lightly.

Conclusion

24. The CLPS has been in existence for nine months and the general progress that has been made in that time is impressive.
25. The Accounts Payable process is not as efficient as it could be but a number of initiatives have been identified that will lead to an improvement during 2014.
26. The CLPS suffers from a disproportionate number of staff performance issues but measures are in place to work through these in accordance with defined procedures.
27. The ending of Accenture involvement in the PP2P project gives an opportunity to reflect on team structure and focus on the areas that will bring about further savings and efficiency improvements.
28. A debate on contract management across the COL and the CLPS role within this needs to take place if projected savings are to be assured.

Contact:

Nick Haslock

0207 332 1752

nick.haslock@cityoflondon.gov.uk

This page is intentionally left blank

Committee:	Date:
Efficiency & Performance Sub Committee	22 January 2014
Subject: Trigger Reports	Public
Report of: The Chamberlain	For Information
<p>Summary</p> <p>The Efficiency Board monitors the various sources that might trigger a report to the Sub Committee. The Board has considered a number of external triggers which are covered in this report:</p> <ul style="list-style-type: none"> • <i>Austerity and Beyond</i> – a report by Chartered Institute of Public Finance and Accountancy • <i>Protecting the Public Purse</i> – annual update by the Audit Commission • <i>Income from Charging</i> – report by the Audit Commission • <i>Business Rates</i> - report by the Audit Commission <p>There are no major issues of concern to highlight for the Sub Committee’s attention. However, members are invited to identify any areas where they feel specific work should be undertaken.</p> <p>Recommendation(s)</p> <p>Members are asked to receive this report and identify any particular areas where further work should be undertaken</p>	

Main Report

Background

1. 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. These sources are as follows:
 - Monthly budget monitoring reports
 - Local Area Performance Solution (LAPS)
 - Committee Reports
 - DTC Performance meetings
 - Benchmarking studies
 - External audit or inspections
 - National studies, eg. National Audit Office
 - Issues of Public concern
 - Feedback from service users

There are no particular issues arising from these sources other than 4 external reports, which are covered in this report.

Austerity and Beyond

2. This is a discussion paper based on a survey of 439 senior local government finance professionals as well as a series of in depth interviews carried out by the CIPFA Social Research Team. The objective of the paper was to present a positive picture of how local government can adapt to the new reality of reduced funding and remains a work in progress.
3. There are perhaps two things to draw attention to at this stage. Firstly, the paper lists the measures that Councils are taking in order to balance budgets. This is of particular interest in terms of our own service based review approach as it may be anticipated we will ourselves consider most, if not all of these ourselves:

Measures	%
Efficiency measures	93
Reducing back-office spend	80
Increasing fees & charges	73
Rationalising property and assets	70
Sharing Services	65
Management re-structuring	64
Drawing down reserves	50
Seeking alternative funding	48
Merging services	46
Reducing front line spend	42
Discontinuing / withdrawing services	32
Outsourcing to alternative providers	31
Introducing fees & charges	30
Ousourcing to private sector	26
Bringing services back in house	22
Other	10

4. Secondly the paper comments on the relationship between the citizen and the state and the doubt there was amongst CFOs about the implicit government assumption that large numbers of people would wish to run council services under “Big Society” initiatives. However, this view looks to have been very recently contradicted by the LGA which argues that as Councils’ hands are largely tied with the funding needed for basic services that it must provide, including care for the elderly, child protection and refuse collection, it leaves the running of other services such as leisure centres, parks, libraries open to radical reform; this will require people to be prepared to take a direct role in providing these services.

Protecting the Public Purse

5. This annual report from report from the Audit Commission finds that councils are targeting their investigative resources more efficiently and effectively, detecting more than 124,000 cases of fraud in 2011/12, totaling £179 million. But the Commission urges councils hem not to drop their guard, as new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.
6. The report says that, despite these detection rates, more can still be done. The National Fraud Authority (NFA) estimates that the total amount of fraud in the UK costs every adult in the country about £1,460 a year. Fraud targeting just local government exceeds £2.2 billion per year.

7. The Corporation has a robust anti-fraud policy. However, the Commission has updated its checklist which gives organisations an opportunity to consider how effective they are at responding to the risk of fraud. This is currently being considered by internal audit which will report accordingly to the Audit & Risk Management Committee. There is potentially a value for money opportunity in the way in which the City Police are developing its Fraud Academy against this agenda. This is being followed up.

Income from Charging

8. This Audit Commission briefing presents a high-level analysis of councils' income from charging and the contribution it makes to service spending. It focuses on the national picture in 2011/12 (the latest year for which data is available) and trends for different types of council across broad service areas.
9. The analysis shows that there is much variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years.
10. Members will be aware that reviewing income is one of the workstreams of our Service Based Review and so this analysis will be useful. Funding reductions and rising demand for some services are likely to present some difficult choices about which services can be afforded to provide, and so the use of charging to support service expenditure or influence demand for services merits closer examination.

Business Rates

11. This Audit Commission briefing presents the Commission's analysis of English councils' collection rates and costs of collecting business rates. The Commission found that in 2012/13, councils collected £21.9 billion in business rates of £22.4 billion due. The amount collected by each council ranged from £1.3 million to £1.6 billion. Councils collect most business rates in the year they fall due, but business rates arrears are substantial and currently stand at £1.2 billion. As this local tax remains to be collected, it cannot currently be used to support the delivery of services. In 2012/13, the uncollected in-year amount was £513 million.
12. The Commission commented on the new business rates new business rates retention scheme under which councils will now be able to keep up to half of the business rates income they collect, rather than – as previously – paying it all into a 'national pool', pointing out that from 2013/14, a council's income will be directly affected by the business rates it collects. These new arrangements mean that it has never been more important for

councils to understand their local economy and associated business rates, the timeliness of their collection and outstanding arrears, and whether their approach to collection is cost effective.

13. In 2011/12, councils spent £90 million collecting business rates. Interestingly, the Commission observed that there was no statistically significant relationship between the amount councils spent on collecting business rates and what they collected.
14. The Corporation and indeed this Sub Committee has already focused attention in this area and, notwithstanding our very good performance on collection, there are steps in place to internalize the service to help drive down collection costs. Other steps to maximise business rates that the Commission says councils could take include:
 - supporting existing business to do well and attracting new businesses to the area;
 - identifying and billing all business properties with a rateable value promptly;
 - using discretionary relief in an effective way, targeting businesses most in need; and
 - Preventing and tackling fraudulent claims for relief.

Conclusion

15. There are no major issues of concern to highlight for the Sub Committee's attention. However, members are invited to identify any areas where they feel specific work should be undertaken.

Chris Bilsland
Chamberlain

T: 0207 332 1300

E: Chris.bilsland@cityoflondon.gov.uk

This page is intentionally left blank

Agenda Item 11

Document is Restricted

This page is intentionally left blank

Agenda Item 12

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank