



Efficiency and Performance Sub (Finance) Committee

Date: WEDNESDAY, 6 JULY 2016
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Jeremy Mayhew (Chairman)
Deputy Roger Chadwick (Deputy Chairman)
Randall Anderson
Nigel Challis
Deputy Anthony Eskenzi
Alderman Peter Estlin
Deputy Jamie Ingham Clark
Deputy Alastair King
Ian Seaton
Deputy John Tomlinson
Philip Woodhouse

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Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio or video recording

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 18 May 2016.

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

For Information
(Pages 5 - 6)
5. **EFFICIENCY PLAN**
Report of the Chamberlain.

For Information
(Pages 7 - 16)
6. **UPDATE ON VALUE FOR MONEY**
Report of the Chamberlain.

For Information
(Pages 17 - 22)
7. **FUTURE WORK PROGRAMME**
Report of the Town Clerk.

For Decision
(Pages 23 - 28)
8. **CITY PROCUREMENT - ACCOUNTS PAYABLE REVIEW – FINANCIAL YEAR 2015/16**
The Chamberlain to be heard. A presentation which will be made at the meeting is supplied for information.

For Information
(Pages 29 - 44)
9. **ENERGY TARGETS UPDATE - ANNUAL REVIEW 2015/16**
Report of the City Surveyor.

For Information
(Pages 45 - 60)
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
12. **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 Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 18 May 2016.

For Decision
(Pages 61 - 62)
14. **MARKETS & CONSUMER PROTECTION DEPARTMENT - SERVICE BASED REVIEW PROGRESS REPORT**
Report of the Director of Markets and Consumer Protection.

For Information
(Pages 63 - 66)
15. **SERVICE BASED REVIEW - ROADMAP AND FINANCIAL MONITORING**
Joint report of the Town Clerk and Chamberlain.

For Decision
(Pages 67 - 76)
16. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
17. **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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EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Wednesday, 18 May 2016

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at the Guildhall EC2 at 12.00 pm

Present

Members:

Jeremy Mayhew (Chairman)	Deputy Jamie Ingham Clark
Randall Anderson	Deputy Alastair King
Nigel Challis	Ian Seaton
Deputy Anthony Eskenzi	Deputy John Tomlinson
Alderman Peter Estlin	Philip Woodhouse

Officers:

Susan Attard	- Deputy Town Clerk
Christopher Braithwaite	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Peter Bennett	- City Surveyor

1. APOLOGIES

Apologies were received from Deputy Roger Chadwick.

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 7 March 2016 be agreed as an accurate record.

The Chairman advised Members that he had requested Officers to conduct a review of the Finance Committee's Sub-Committees to seek to increase the effectiveness of the Sub-Committees, increase the amount of business conducted at Sub-Committees, and accordingly decrease the amount of business conducted at the Grand Committee. He advised that a report would be forthcoming to a meeting of the Grand Committee in advance of the Summer recess.

4. OUTSTANDING ACTIONS

The Sub-Committee considered a report of the Town Clerk which provided updates on actions outstanding from previous minutes. In addition to the report,

the Town Clerk advised that a Work Programme for future meetings had been prepared. This was put around the table.

Efficiency Plan

The Chairman requested that the report on proposals to publish an Efficiency Plan were submitted to Members of the Sub-Committee prior to the Resource Allocation Sub-Committee Away Day. The Chamberlain advised that this may not be possible, but the report would certainly be circulated to the Sub-Committee immediately following the Away Day, at a minimum.

Strategic Energy Review

The Sub-Committee noted that a report would be submitted to the Committee's July meeting regarding the Strategic Energy Review. The Chairman commented that, in the past, many of the energy reports considered by the Sub-Committee had been overly technical, and requested that Officers ensure that this report considered all aspects of the energy use of the Corporation from a more strategic level, including consumption, procurement and energy efficiency. A Member commented that it would be beneficial for any consumption figures to be normalised to provide the most accurate possible assessment of consumption.

Staff Suggestion Scheme

The Sub-Committee considered a report of the Deputy Town Clerk which advised the Sub-Committee of progress with the pilot of the Staff Suggestion Scheme.

The Sub-Committee considered whether this may be a matter which would be appropriately considered by the Establishment Committee. The Deputy Town Clerk advised that the purpose of the Staff Suggestion Scheme was to seek to improve the effectiveness of the Corporation, so most appropriately sat with this Sub-Committee.

Members commented that there were indications that the main problem with the Suggestion Scheme at present was that there was not sufficient investigation of suggestions, particularly in some departments. Members commented that it would be beneficial to review the Departments which had been particularly effective with the Scheme, along with those which had been particularly ineffective, to determine best practice and how this could be implemented. The Chairman also commented that the report was not sufficiently clear regarding the objectives of the Scheme, and how those objectives could be achieved.

The Sub-Committee agreed that a further report on the Staff Suggestion Scheme should be submitted to a future meeting of the Sub-Committee, addressing the comments made by Members.

RESOLVED – That the Sub-Committee:

- a) notes the report;

- b) agrees that a further report on the Staff Suggestion Scheme be submitted to a future meeting of the Sub-Committee, addressing the comments made by Members.

5. SERVICE BASED REVIEW ROADMAP

The Sub-Committee considered a report of the Deputy Town Clerk which provided the latest update in respect of the Service Based Review cross-cutting reviews and key departmental projects in the format of the Service Based Review Roadmap. The report advised there had been no changes in project status since the last meeting.

With regard to the Strategic Asset Management programme, the Chairman asked for clarification regarding whether this programme was rated as Amber due to the risk of not achieving the savings required or due to difficulties in implementing the programme. Members also commented that it may be beneficial for the Sub-Committee to be presented with the full programme risk register and a detailed scorecard for the programme, to allow the Sub-Committee to understand the risks of the project and what it would deliver.

The Deputy Town Clerk explained that she was confident that the savings would be achieved, but the risk with the project was in implementing and delivering the new way of working across all sites. She confirmed that she was confident that the programme had buy-in from all Departments, and explained that the documents requested could be provided to a future meeting. The Deputy Town Clerk advised Members that a Project Manager had been appointed to implement the programme. The City Surveyor commented that the key challenge would be to ensure that Service Departments developed the skills and controls to give them confidence in managing their assets through a third party (the City Surveyor's Department).

The Chairman reminded the Sub-Committee that it had previously been agreed Members would be informed of any difficulties encountered from the Service departments in the implementation of the review.

The Sub-Committee also noted an appendix to the report, supplied by the Chamberlain, which identified the lessons learnt from the Service Based Review. The Chairman commented that the Review had often demonstrated that, on some occasions, a silo mentality continued to exist within the Service Committees. The Chairman also commented that he agreed with the finding of the report that the Corporation required greater project management resources for similar projects, particularly citing the Review of the Effectiveness of Grants as an example of this.

RESOLVED – That the Sub-Committee notes the report.

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

A Member commented that the work of this Sub-Committee tended to be of a cross-cutting nature and suggested that it may be beneficial for the Sub-Committee to receive a presentation setting out the overall governance

arrangements for the Corporation as a whole. The Member also commented that there had previously been proposals to reduce the number of Committee meetings to achieve savings and noted that it would be interesting to determine whether this had been achieved.

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 the following paragraphs of Part I of the Schedule 12A of the Local Government Act.

Item	Paragraph(s)
9-13	3

9. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

The non-public minutes of the meeting held on 7 March 2016 were agreed as an accurate record.

10. **SERVICE BASED REVIEW SAVINGS - DEPARTMENTAL MONITORING**

The Sub-Committee noted a report of the Chamberlain which provided an update regarding savings achieved through the Service Based Review on a Departmental basis.

11. **SERVICE BASED REVIEW: DEPARTMENTAL MONITORING - CHAMBERLAIN'S DEPARTMENT**

The Sub-Committee noted a report of the Chamberlain which advised Members of the progress made in achieving the Service Based Review programme for the Chamberlain's Department.

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

There were no questions.

13. **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 closed at 1.00 pm

Chairman

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EFFICIENCY AND PERFORMANCE SUB-COMMITTEE – OUTSTANDING ACTIONS

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	May 2016	Staff Suggestion Scheme Officers to report back on the objectives of the scheme, how these could be achieved in future, and how best practice in staff engagement could be determined and implemented.	Deputy Town Clerk	October 2016	Further work to be undertaken with Corporate HR looking at wider issues of staff engagement. Update to September meeting.
2.	May 2016	Publication of an Efficiency Plan Officers to update Members on proposals to respond to the Secretary of State for Communities and Local Government's offer for Local Authorities to qualify for a four-year settlement if they publish an "efficiency plan".	Chamberlain	July 2016	See report later on this agenda.
3.	March 2016	Strategic Energy Review Officers to provide a further report covering: <ul style="list-style-type: none"> • Energy consumption • Energy costs and purchasing • Strategic initiatives (including the work of the Programme Board and implementation of the Strategic Energy Review recommendations) 	City Surveyor	July 2016	See report later on this agenda.

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Committee: Efficiency and Performance Sub-Committee	Date: 6 July 2016
Subject: Efficiency Plan	Public
Report of: Chamberlain	For Information
Report author: Paul Nagle, Chamberlain's Department	

Summary

The Court of Common Council agreed at its 3rd March 2016 meeting that an efficiency plan be published subject to assessment of detailed requirements.

Summit Group on the 19th April supported a proposed framework that would incorporate continuous improvement savings, with a rolling programme of departmental peer reviews to help secure more radical changes in efficiency and effectiveness, alongside a limited number of cross cutting reviews.

A draft Efficiency and Sustainability Plan has now been prepared in draft for comment prior to review by officers. This is intended to be a high level plan, focusing on the existing Service Based Review programme and other agreed transformation initiatives, along with the framework that currently exists and is being developed for continuous efficiency improvement for 2017/18 and later years. The link through to sustainability and medium term financial strategy is a key context in the plans being developed by Local Authority bodies and therefore this has been reflected in the drafting and labelling of the Corporation's plan.

This report was prepared in advance of the EU Referendum result; it may therefore be necessary to revisit the assumptions in the light of further work on the short and medium term impact.

Recommendations

The Committee is asked to:

- Comment of the draft of the Published Efficiency and Sustainability Plan
- Note the milestones for the review and approval of the published Efficiency and Sustainability Plan

Main Report

Background

1. The Local Government provisional funding settlement includes figures for four years (2016-17 to 2019-20). The Government presented this as an 'offer' to local government with the proviso in the consultation being that any Council accepting the offer will have to publish an efficiency plan by the 14th October 2016.
2. The Court of Common Council agreed at its 3rd March 2016 meeting that an efficiency plan be published subject to assessment of detailed requirements. In

the absence of onerous conditions, we have proceeded on the production of an Efficiency Plan, which will cover the period through to 2019/20. Appendix 2 sets out the consultation and approval timetable for the preparation of the Efficiency Plan.

3. No specific guidance has been provided on the nature of these efficiency plans other than that they should be published and recognition that efficiency targets should already be reflected in the Medium Term Financial Strategy for Councils. The Head of Finance – Projects attended a CIPFA workshop on this subject, which included a representative from DCLG. The input and discussion from this workshop has helped inform the development of this draft plan. The link through to sustainability and medium term financial strategy is a key context in the plans being developed by Local Authority bodies and therefore this has been reflected in the drafting and labelling of the plan.
4. Summit Group on the 19th April supported a framework which incorporates
 - An across the board light touch continuous improvement annual saving of 2-3% in departmental budgets from 2018-19, with an incentive element adopted - in which a share of the savings could be re-invested in new priorities in the subsequent year as part of a revised carry-forward process
 - Option of removing the 1% pay and prices allowance earlier in 2017/18 when the majority of SBR savings will have been delivered.
 - Rolling programme of departmental peer reviews to help identify more radical effectiveness and efficiency improvements, most likely to impact from 2018-19 onwards.
 - Further cross cutting reviews, including prevention/demand management, when the current reviews have been implemented.

Member engagement

5. Resource Allocation Sub-Committee are being consulted on the latest assessment of the medium term financial position at their awayday on the 24th June and the proposed framework for delivering further efficiency savings when the current SBR framework comes to an end. The latest assessment of the medium term financial position will need to be reflected in the next iteration of the draft plan.
6. The Efficiency and Performance Sub-Committee, Finance Committee and Resource Allocation Sub-Committees are being consulted on the proposed efficiency framework at Committee meetings in July. The member breakfast briefing session on Finance arranged for the 7th July will include a discussion on the development of the plan.

Publishing an Efficiency Plan

7. It is proposed to agree the draft published Efficiency and Sustainability Plan with Summit Group on the 12th July 2016, with Member agreement sought via Policy and Resources Committee and Finance Committee in September and for final approval to the Court of Common Council in October. This is intended to be a

high level plan, focusing on the existing Service Based Review programme and other agreed transformation initiatives, along with the framework that currently exists and is being developed for continuous efficiency improvement for 2017/18 and later years. It would not be used to set out specific details of new individual efficiency initiatives.

Corporate & Strategic Implications

8. The review supports Key Policy Priority 2 in the Corporate Plan 2015-19: “Improving the value for money of our services within the constraints of reduced resources”.

Conclusion

9. The development of the Efficiency and Sustainability Plan for the Corporation will provide a framework to consider how the Corporation will continually review its priorities and operations and seek efficiency and performance improvements. Savings made as a consequence of further efficiency initiatives can then be positively applied to addressing funding gaps, enhancing services and pursuing new priorities.

Appendices

1. Draft Published Efficiency and Sustainability Plan
2. Efficiency and Sustainability Plan – Consultation and Approval Milestones

Background Papers

City Fund 2016/17 Budget Report and Medium Term Financial Strategy

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Efficiency and Sustainability Plan – Draft v2

The City of London Corporation has four funds to help the City of London Corporation promote financial, professional and business services, provide excellent public services and support the City, capital and country as a whole. They must be used efficiently and effectively to maintain the City's underlying infrastructure and services and so we can pay for initiatives which meet our long-term aims.

Two of these are paid for by ratepayers and taxpayers:

- City Fund - money used to cover local authority activities in the square mile and beyond.
- Police Fund – the money used to pay for the City of London Police Force

Two are provided at no cost to the taxpayer:

- City's Cash - an endowment fund built up over 800 years and passed from generation to generation used to fund services that benefit London and the nation as a whole.
- Bridge House Estates - the money used to look after five bridges over the Thames with any surpluses being used for charitable purposes and awarded through the City Bridge Trust.

Achieving Efficiency and Sustainability

The City has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency /value for money at a corporate and service level by a variety of means, including improvement priorities set by the Policy and Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency and Performance Sub Committee.

The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:

- Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
- Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency;
- Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented;
- Corporate Property Asset Management Strategy. This aims to ensure that the City's

operational assets are managed effectively, efficiently and sustainably, in support of the organisation's strategic priorities and business needs;

- Capital project evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and
- Treasury Management and Investment Strategies. Setting out the arrangements for the management of the City's investments, cash flows, banking and money market transactions;
- the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members. The performance of the City's financial and property investments are monitored and benchmarked regularly, both in-house and independently, through experts in the field.

The City's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money

Fees and Charges and income generated from services are regularly benchmarked and further opportunities for commercial income generation are being pursued.

The Corporation has introduced a centralised procurement team over the last 3 years which has made to procurement to pay process increasingly efficient with procurement savings of £8m per year now being achieved.

Financial Challenges and Outlook

In 2014, we estimated that due to cuts in government funding City Fund would be facing deficits approaching £11m by 2017/18 so we had to deal with this by scrutinising all our activities in what we called the Service Based Review. Proposals totalling £20m in efficiencies/extra income have been identified and are being implemented over a 4 year programme which will be substantially implemented by 2017/18. The efficiency saving proposals included Departmental and also Corporate Cross-cutting reviews. The Cross-cutting reviews which are now in implementation phases cover Strategic Asset Management (including Operational Property Reviews, Facilities Management, Contract Management, and Project Management), Income Generation, Effectiveness of Grants and Effectiveness of Hospitality.

We could, of course, have just made efficiencies in those areas paid out of public funds. But we decided it was not fair or equitable to ask some parts of our organisation to be more efficient and not others. This is because we have a duty to ensure the most effective and efficient use of our resources, we have a growing cost pressure to address the maintenance and renewal costs of our IT equipment and some of our deteriorating properties, and finally by being efficient and effective we can enhance existing services and pursue new priorities for the benefit of the City, London and the nation.

For non-Police services, the local government settlement in autumn 2015 was challenging but fell within the prudent assumptions included with the City's financial forecast. Subject to there being no significant adverse changes in financial planning assumptions across the period, forecasts indicate a small surplus in each of the next financial years moving close to breakeven by 2019/20. However, the economic outlook and public finances have deteriorated since the announcement of the local government settlement and there is no guarantee that government funding will be not be revised further downwards in future years.

Securing future financial sustainability and improving effectiveness

Beyond 2017/18 when the current service based review programme will be substantially complete, an annual continuous efficiency saving target will be introduced for each department. It is projected that this will deliver £x savings in total across the City Fund, City Cash and Bridge House Estates Funds per year from 2018/19 sustaining these funds over the medium term and allowing for planned investment in our services.

In addition to these continuous improvement targets, further Corporate Efficiency and Effectiveness reviews are planned for when the Corporation has the capacity to deliver further transformation when the current cross-cutting programmes are completed. The role member Committees have in oversight of VFM is currently being developed and enhanced.

The City of London Corporate is reviewing its forward planning Business Planning and Performance Framework; this will support widespread service improvement and transformation based on a new business planning and performance framework. The new framework will introduce a standard way of planning over a longer timeframe with stronger links to resource planning and a more consistent approach to measuring VFM. In addition the Corporation is launching a major Accommodation and Ways of Working change programme. This programme aims to modernise working practices, based around the needs of our internal and external customers, optimise our buildings and facilities to provide focus for improvements to our business processes, skills and assets as well as positively enhance the Wellbeing of our staff.

The City of London will continue to evaluate opportunities for shared services and partnerships with other organisations. The Corporation currently provides shared services to London Councils and the Museum of London, jointly commissions Public Health services jointly with the London Borough of Hackney and has recently established a joined IT provision with the City of London Police. The increasing use of Peer Review and benchmarking of services will also increasingly assist in the generation of more transformational/long-term change options, concentrating on effectiveness and different ways of delivering services.

The Corporation maintain close links to the general public and business users of its services. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of performance, which contains a summary of the accounts. These existing consultation and other service specific mechanisms will be used and developed in seeking stakeholders views as the City develops its services, prioritises resources and seeks to implement services which are more efficient and effective and meet the needs of its customers.

City of London Police

The Court of Common Council is defined as the police authority for the City of London Police Area. The role of police authority is to ensure that the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run.

The Police Performance and Resource Management Sub Committee's responsibilities include overseeing the Force's resource management in order to maximise the efficient and effective use of resources to deliver its strategic priorities and ensuring that the Force delivers value for money

City of London Police manages its budget on a ring-fenced basis. The Court of Common Council has agreed to increase the Business Rates Premium from April 2016 (the first increase for ten years) with the additional income, estimated at £1.6m a year, being allocated to the Police to cover emerging cost pressures relating to security. Nevertheless, the underlying financial position remains challenging with deficits forecast across the period and reserves exhausted during 2017/18. This is despite implementing a challenging savings plan and previous budget reductions resulting in a 14% decrease in the number of police officers and £16m removed from the budget. The Force has a robust financial strategy in place to balance the budget over the period to 2018/19, which includes provision for a minimum general reserve balance for unforeseen or exceptional operational requirements. The Force and the City Corporation are also investigating areas for greater collaboration, including the development of a Joint Contact and Control Room as part of the One Safe City programme.

Appendix 2 - Efficiency Plan – Consultation and Approval Milestones

Committee Consultation/Deadlines

Date	Milestone	Purpose
14 th Oct 2016	Publishing and Submission deadline to DCLG	Confirm acceptance of 4 year minimum Revenue Support Grant funding.
13 th Oct 2016	Court of Common Council	Plan - Court approval
20 th Sept 2016	Finance Committee	Plan - Committee approval
8 th Sept 2016	Policy & Resource Committee	Plan - Committee approval
19 th July 2016	Finance Committee	Framework Member Consultation
7 th July 2016	Resource Allocation Sub-Committee	Framework Member Consultation
6 th July 2016	Efficiency & Performance Sub-Committee	Framework Member Consultation
24 th June 2016	Resource Allocation Sub-Committee – away day	Framework Member Consultation

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Committee: Efficiency and Performance Sub-Committee	Date: 6 July 2016
Subject: Update on Value for Money	Public
Report of: The Chamberlain	For Information
Report author: Caroline Al-Beyerty and Mark Jarvis, Chamberlain's Department	

Summary

The Finance Committee has within its Terms of Reference responsibility for Value for Money across the Corporation. This report updates the Sub-Committee on progress in improving the value for money monitoring regime. The intention is that key value for money tools and measures, such as key performance indicators, procurement compliance statistics, external benchmarking, rationalisation of asset reviews, and stakeholder feedback will be included in the revised corporate and business planning system. The evidencing and monitoring of Value for Money will become a major part of the Business Planning cycle and this Committee will have a key role in scrutinising and challenging those Plans. This work will inform the Work Programme for the Committee (as set out in the subsequent report on the agenda).

Recommendation

The Committee is recommended to note this report.

Main Report

Background

1. Finance Committee has within its Terms of Reference responsibility for Value for Money across the Corporation. Value for Money is defined as the 'Relationship between economy, efficiency and effectiveness' (see Appendix 1)
 - Economy is reducing costs wherever we can
 - Efficiency is getting the most out of our money
 - Effectiveness is achieving better outcomes and impact for the public
2. Ensuring Value For Money (VFM) should be a responsibility which, in the first instance, rests with the Chief Officers undertaking expenditure and providing services, overseen by the relevant Service Committee. This should be subject to regular scrutiny and challenge by this Sub-Committee, in line with its own Terms of Reference. As set out in the Work Programme report, further information will be provided to the Sub-Committee, at its September meeting, regarding the work which the Sub-Committee will undertake in assuring Value for Money.
3. However, such a duty around ensuring VFM is not written into Service Committees' Terms of Reference. There is also no mention of VFM in Standing Orders around conduct of business, other than the recently updated Standing

Order 55 which states “Committees are required to consider the effective and efficient use of all operational property assets. This will be monitored by the Corporate Asset Sub-Committee”.

4. Certain public sector organisations are considered to be “Best Value authorities”. This includes all local authorities, but is not specifically extended to the Corporation beyond its local authority functions. The Duty of Best Value is “to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”
5. In any event it is not clear how Service Committees currently satisfy themselves of VFM. A more coherent approach which will be established, alongside a regular process of constructive challenge.

Current Position

6. The current review of the Business Planning process will allow value for money considerations to be embedded within the annual cycle and medium term planning horizon.
7. An Opportunity Outline on ‘Business Planning and Performance Management’ was recently agreed by the Chief Officer Summit Group. This followed engagement workshops held with Business Managers from across the organisation during April/May 2016. These sessions concluded that a review of the full cycle of business planning was necessary. Key drivers for change included:
 - Establishing a strong link between the Corporate Plan priorities and department priorities
 - A need for cross-cutting corporate priorities and objectives, identified through the Chief Officer Steering Groups, informing and driving departmental business plan development
 - Support for the new corporate governance and Committee requirements
 - More joined-up business plans across departments to enable better prioritisation and resource planning and break away from silos
 - Business plans need to be more outcome-focused and to provide a ‘golden thread’ that is meaningful to staff
 - Business planning needs to be an effective tool for planning and managing short, medium, and long term goals
 - Introduce effective sequencing and links with other corporate processes (e.g. Finance, Risk, Asset management and HR)
8. A Member Working Party will be set up to provide input to this review.
9. It is expected that key VFM tools and measures, such as key performance indicators, procurement compliance statistics, external benchmarking, rationalisation of asset reviews, and stakeholder feedback will be included in the revised corporate and business planning framework. Such metrics will enable service committees to assess how well we are performing in securing economy, efficiency and effectiveness in our activities.

10. Alongside the revised Business Planning cycle, work on enhancing the robustness of financial information is continuing, particularly with the introduction of the more streamlined and automated financial forecasting system, due later in the year.

Conclusion

11. The evidencing and monitoring of Value for Money will become a major part of the Business Planning cycle and this Sub-Committee will have a key role in scrutinising and challenging those Plans.

Mark Jarvis

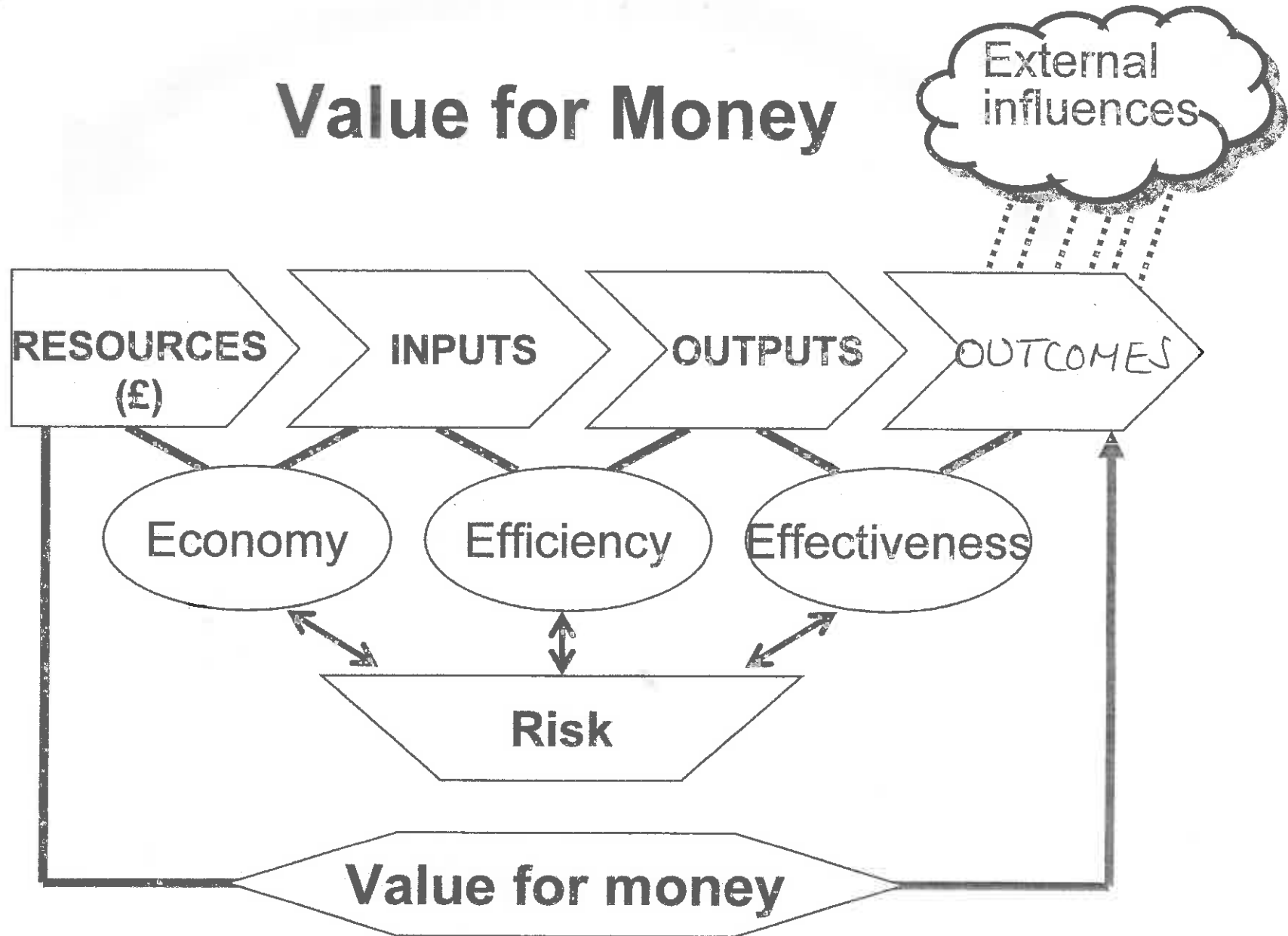
Head Of Finance (Citizen Services), Chamberlains

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Value for Money



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Committee: Efficiency and Performance Sub-Committee	Date: 6 July 2016
Subject: Future Work Programme	Public
Report of: Town Clerk	For Decision
Report author: Neil Davies and Chris Braithwaite, Town Clerk's Department	

Summary

This report presents a reformatted forward Work Programme for the Sub-Committee (Appendix 1), aligned to the Sub-Committee's Terms of Reference, for consideration and approval.

The intention of this reformatting is to give Members a better strategic overview of the work of the Sub-Committee and a clearer indication of how that work fulfils the duties set out within the Committee's Terms of Reference.

This report also provides Members with an opportunity to discuss the purpose and priorities for the Sub-Committee for the next year and beyond to shape the Work Programme. Members may also wish to consider whether it is appropriate to group thematically reports to allow particular meetings to focus on particular issues.

Recommendations

Members are asked to:

- Approve the revised format of the Work Programme;
- Agree the proposed frequency of reporting;
- Propose any additional priority work areas to be added.

Main Report

1. The current Terms of Reference of the Efficiency and Performance Sub-Committee are as follows:
 - a) To consider and advise the Grand Committee on matters relating to value for money in all aspects of the City of London Corporation's activities
 - b) In accordance with Standing Orders to consider, with the Resource Allocation Sub-Committee, the resource allocation plans for subsequent financial years prior to their approval by the Policy and Resources Committee
 - c) To review periodically the performance of each Chief Officer in order to promote efficiency and value for money and to ensure, over a period of time, full Member level scrutiny of all expenditure planned.
 - d) To be responsible for overseeing and monitoring the agreed programme of work arising from the Service Based Review programme and other saving and

efficiency programmes ensuring the achievement of savings, and suggesting further areas for examination as appropriate.

- e) To review and to monitor performance against the Chamberlain's Departmental Business Plan and related corporate initiatives in order to promote efficiency and value for money.
 - f) To make recommendations, where necessary, to bring about improvements in performance
2. The Sub-Committee also assumed responsibility for matters relating to Energy when the former Energy and Sustainability Sub (Policy and Resources) Committee was abolished. This duty remains with the Sub-Committee for the time being, but the Finance Committee will be asked, at its meeting on 19 July, to consider whether this duty may more appropriately fit with the Corporate Asset Sub-Committee. The Work Programme for this Sub-Committee would be revised, if necessary, following this decision.
3. The Committee Work Programme (Appendix 1) has been reformatted to align the future scheduling of reports to the Sub-Committee's priority work areas. This allows Members to see the Work that will be undertaken by the Sub-Committee and the purpose of that work. This report also intends to provide Members with an opportunity to discuss the purpose and priorities for the Sub-Committee and to shape the work programme next year and beyond. Members may also wish to consider whether it is appropriate to thematically group reports to allow particular meetings to focus on particular issues. The Work Programme is based around the Terms of Reference, as follows:
- a. Value for Money: this is an area in which the Sub-Committee has not been provided with a sufficient level of reporting in recent years. A separate report on today's agenda updates the Sub-Committee on work designed to improve the monitoring of value for Money across the City Corporation. As set out within that report, a revised business planning process will assist in this area, with clear priorities and outcomes at a Departmental level being linked to a revised Corporate Plan.

This work is at an early stage and arising from this work proposals will be presented on future reporting arrangements. In addition, implementation of the Corporation's efficiency plan (following approval by Court of Common Council) will be monitored as part of the work programme. A clearer indication of the work which the Sub-Committee will be asked to undertake in this area should be presented to the Sub-Committee in September 2016.
 - b. Resource Allocation: This Sub-Committee meets, on an annual basis, with the Resource Allocation Sub-Committee to consider the overall financial position and the Corporation's medium term financial planning. As this is a joint duty, it is not planned to present any reports specifically to this Sub-Committee relating to Resource Allocation.

- c. Chief Officer Reviews: This Sub-Committee does not monitor the performance of Chief Officers against individual Departmental Business Plans, as this is a function of the Service Committees, each of which receives a periodic report from the Chief Officer(s) reporting to that Committee, including progress against key objectives, key performance indicators, and the departmental risk register. However, since July 2015, the Sub-Committee has been receiving reports from Chief Officers on progress against their departmental Service Based Review savings. The Departments selected to report are based on the risks that Departments will not be able to meet their Service Based Review savings targets. A separate report on today's agenda (in the non-public section) proposes the next two departments to be covered in this way.
 - d. Service Based Review: As Members requested at the Sub-Committee's last meeting, there is a separate report on today's agenda which combines the quarterly reports which are produced to update on cross-cutting reviews and the monitoring of financial savings arising from the Service Based Review. The Sub-Committee has also received reports on specific cross-cutting reviews. In view of the concerns expressed by Members at previous meetings, it is proposed to introduce regular quarterly reporting for the Facilities Management Review.
 - e. Chamberlain's Departmental Business Plan and related corporate initiatives: The Chamberlain produces regular update reports in his departmental business plan for the Grand Committee. It may be appropriate for the Sub-Committee to consider whether this role should be fulfilled by the Sub-Committee. Reports on related issues have been presented to this Sub-Committee, including on City Procurement and the Soft Market Testing of the Finance Function. Such reports will continue to be presented. Ahead of the Sub-Committee's next meeting, Officers will seek to update the Work Programme to provide details of the subjects of reports which are likely to be submitted to forthcoming meetings.
 - Energy: Since assuming responsibility for Energy, the Sub-Committee has received Energy Target Monitoring reports (as on today's agenda) and an annual report on the Combined Heat and Power (CHP) scheme
4. At present the Work Programme provides information about the work which will be undertaken by the Sub-Committee, but has not sought to group work into thematic areas at specific meetings, pending consideration by Members as to whether they would prefer for the Sub-Committee to take this approach. The advantage of grouping work into themes is that it would allow a greater focus to be given to specific areas, rather than requiring Members to consider a wide range of issues at a single meeting. The downside, however, is that it may mean that reporting on these issues is not as timely, as it may be necessary to delay certain reports to allow them to be grouped thematically with other similar reports. If Members do wish to pursue this approach to the Work programme, a revised Work Programme will be presented to the Sub-Committee's next meeting.

Appendices

Appendix 1 - Work Programme

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Efficiency and Performance Sub-Committee - Work Programme

Meeting:	6/7/16	12/10/16	30/11/16	11/1/17	19/1/17	17/5/17
a) Value for Money						
	Introductory report (Future reports TBC)				N/A (Joint meeting with RA Sub)	
b) Resource Allocation						
Overall Financial Position and Medium Term Financial Planning (joint with RA Sub-Committee)					Joint meeting with the Resource Allocation Sub-Committee	
c) Chief Officer Reviews						
Presentation of Departmental Service Based Review Savings and other initiatives	Markets and Consumer Protection	Built Environment	Culture, Heritage and Libraries	TBC (determined by status of each department)	N/A (Joint meeting with RA Sub)	TBC (determined by status of each department)
d) Service Based Review						
Overall Monitoring Report	New format report presented	2016/17: quarter 1	2016/17: quarter 2	2016/17: quarter 3	N/A (Joint meeting with RA Sub)	2016/17: quarter 4
FM Review		Quarterly update		Quarterly update	N/A (Joint meeting with RA Sub)	Quarterly update
Contract Management		Progress report (Future reports TBC)			N/A (Joint meeting with RA Sub)	

Meeting:	6/7/16	12/10/16	30/11/16	11/1/17	19/1/17	17/5/17
e) Chamberlain's Departmental Business Plan (and related corporate initiatives)						
Efficiency Plan	Consultation on framework (future reports TBC)				N/A (Joint meeting with RA Sub)	
Chamberlain's Departmental Business Plan	This is currently monitored by the Finance Committee.				N/A (Joint meeting with RA Sub)	
Energy						
Energy Consumption and Performance	Full year 2015/16		Half year 2016/17		N/A (Joint meeting with RA Sub)	
Citigen Combined Heat and Power		Annual report 2015/16			N/A (Joint meeting with RA Sub)	



City Procurement

Accounts Payable Review –
Financial Year 2015/16



Agenda

- Challenges for FY 15/16
- Statistics
- Staffing
- Successes
- Aims & Challenges for FY 16/17



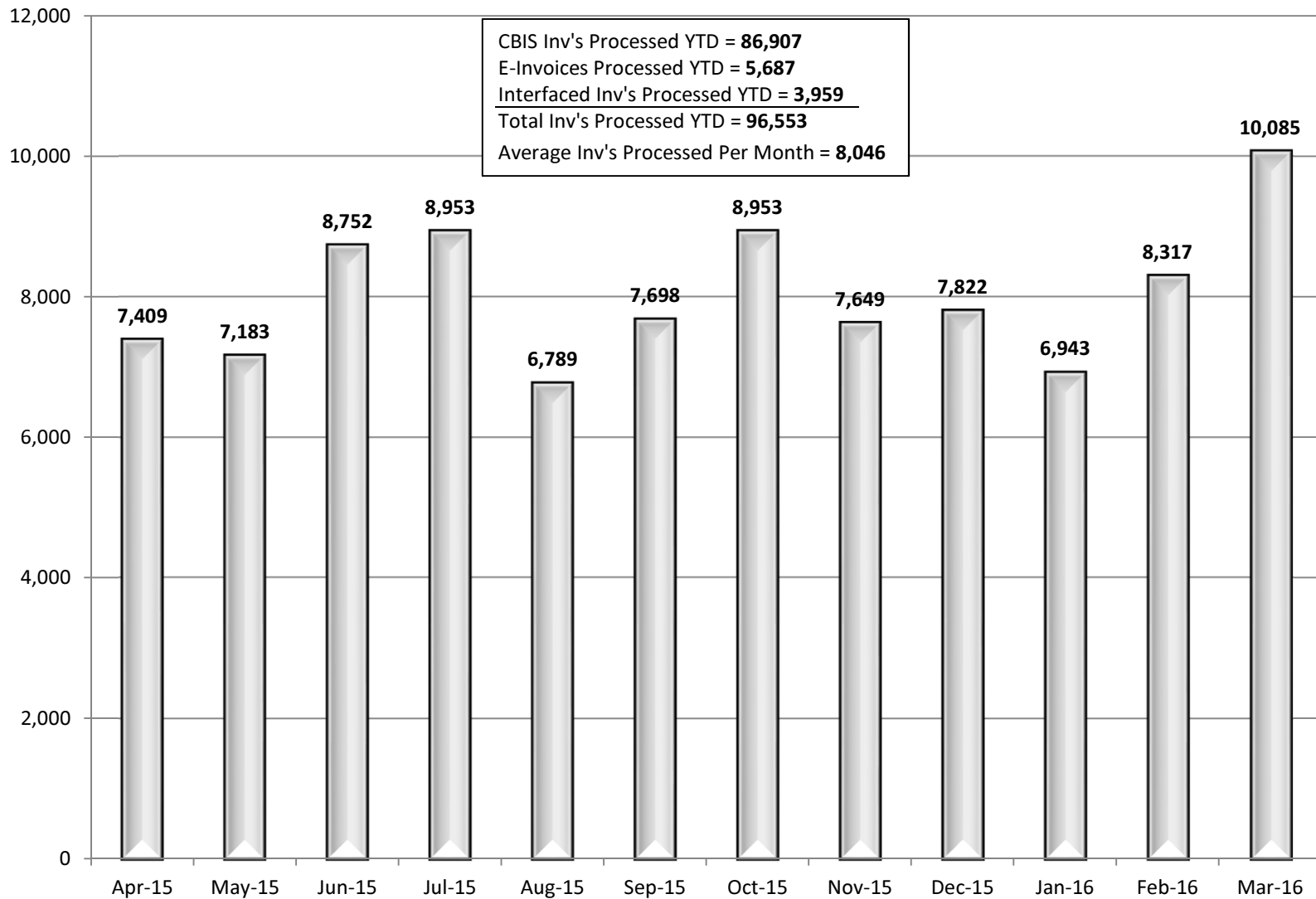
Accounts Payable Objectives and Challenges set for FY 2015/16

- Downsize AP team size to support Service based review savings
- Upgrading Oracle system to R12
- Promoting and implementing No PO No Pay
- Improving organisation wide communications
- Deliver and achieve higher performance targets
- Current P-Card system no longer supported, new system required

Performance Statistics

Invoice Processing Statistics	
No. of invoices input to Oracle	96,553
Total value of invoices paid	£481m
Average invoices input per month	8,046
Average time to input an invoice (2-day target)	1.65 Days
Payment and PO Compliance Statistics	
Percentage of invoices paid within 30 days of receipt	96%
Percentage of SME invoice paid within 10 days of receipt	87%
Percentage of invoices quoting a valid PO number or exemption code	94%
Supplier Statistics	
Supplier account creations in Oracle	4,989
Supplier account amendments in Oracle	2,534
Supplier accounts deactivated	9,562

Invoices Processed in 2015/16

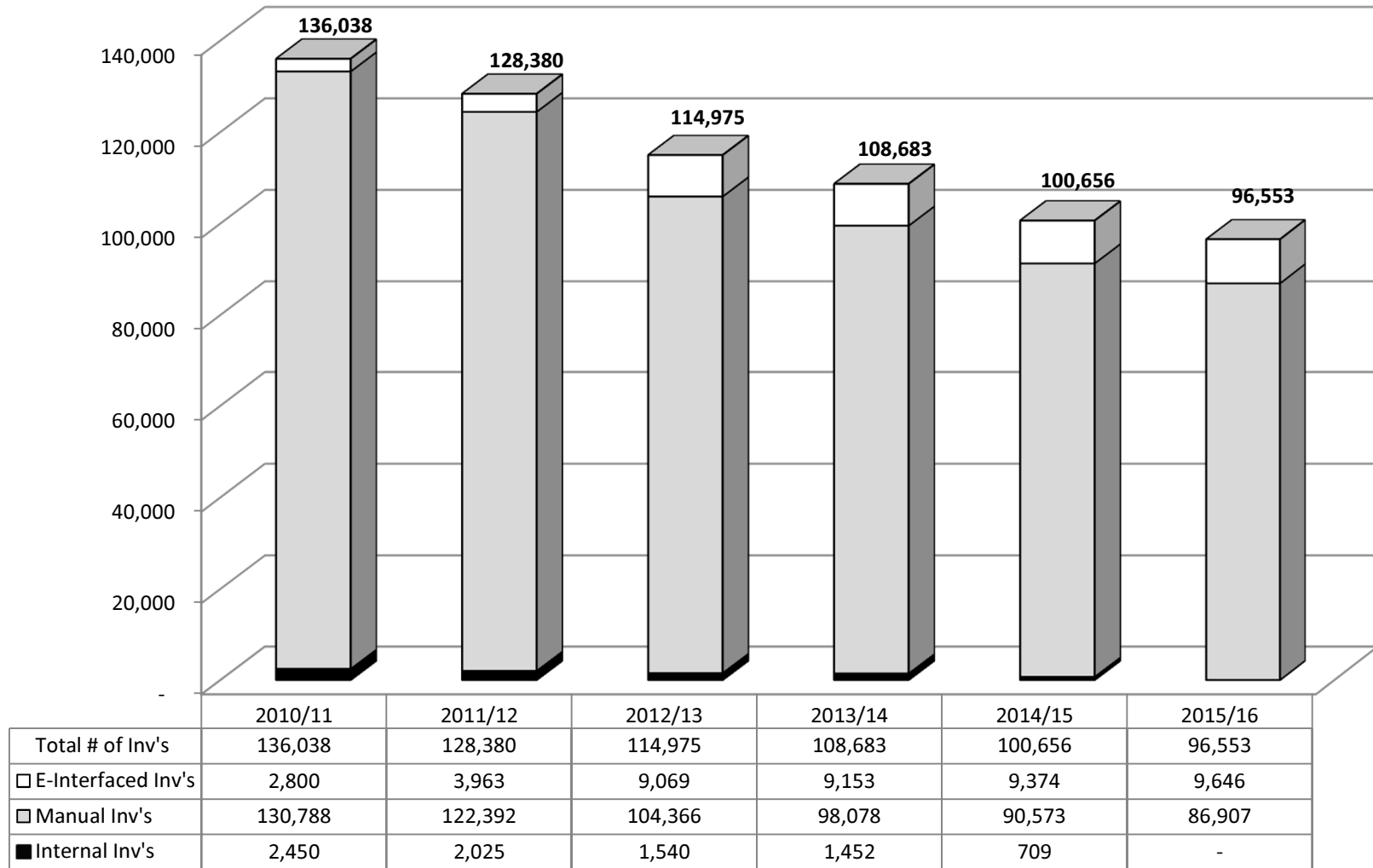


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This graph shows the number of invoices input to Oracle each month by Accounts Payable Team for Financial Year 2015/16

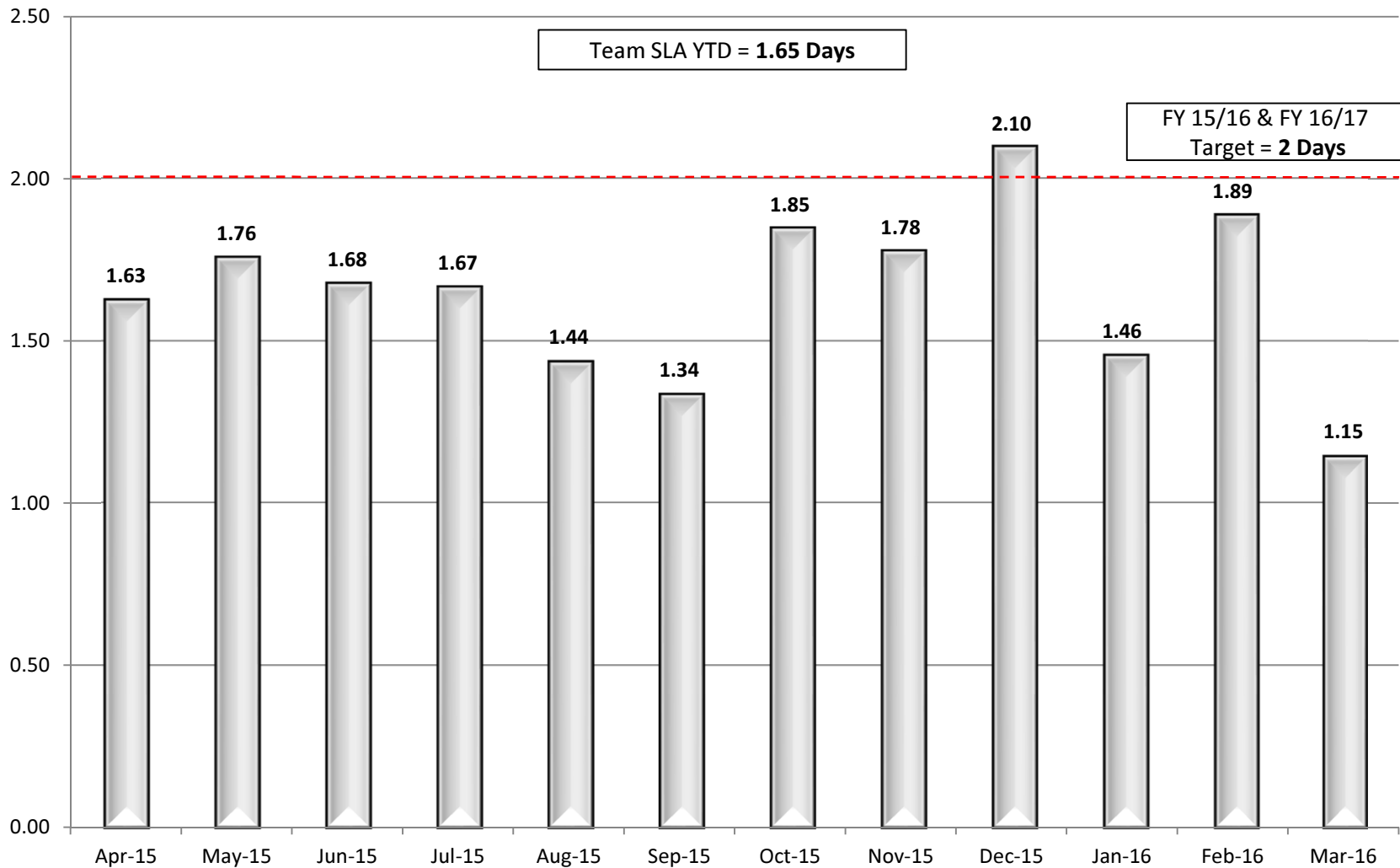
City Procurement

Invoices Processed per Financial Year



This graph shows the number of invoices input to Oracle for the last 6 Financial Years

2-Day SLA for Processing Invoices

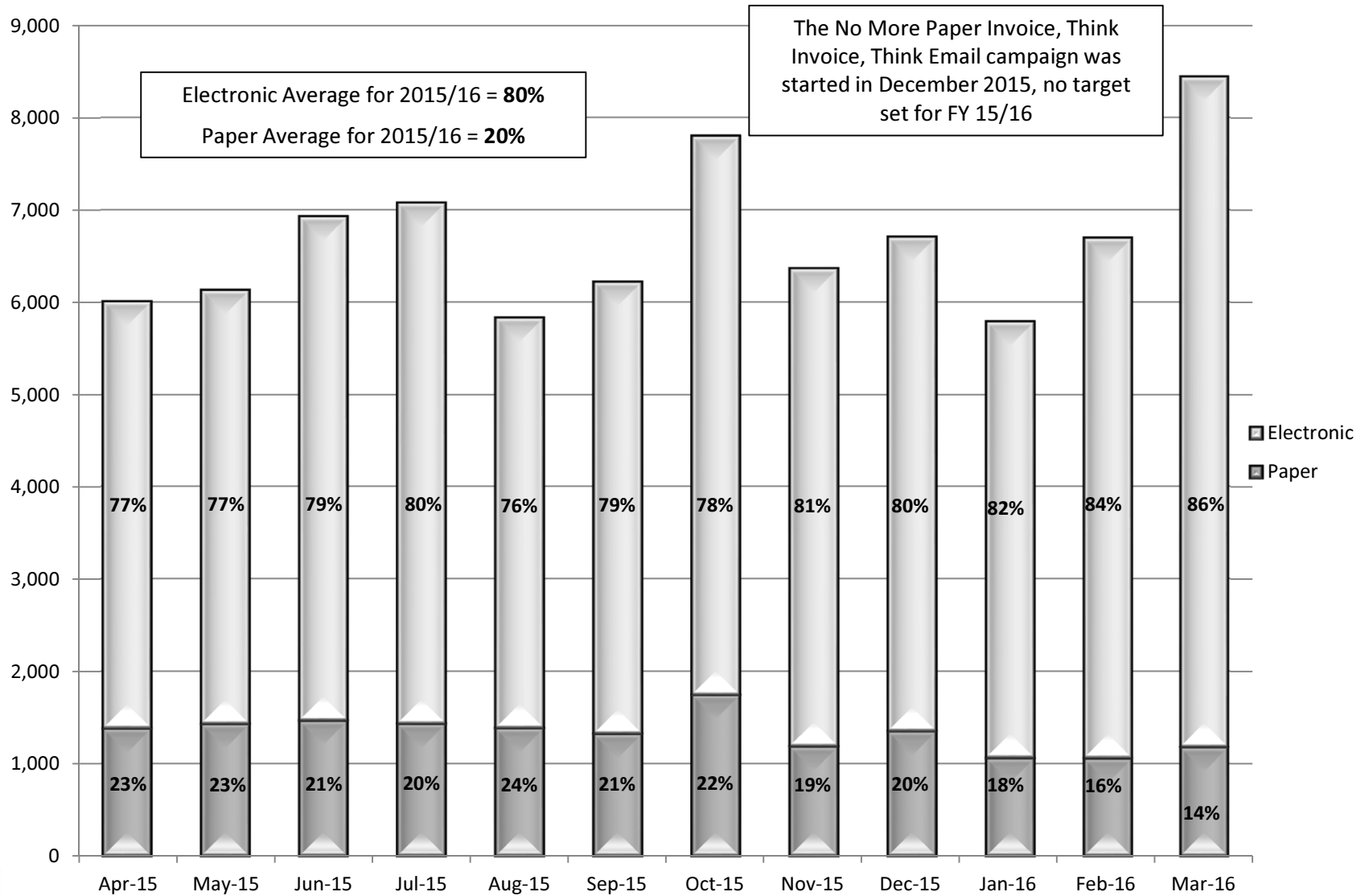


This graph shows the average time taken to input an invoice against the 2-day Service Level Agreement target.



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Electronic v Paper Invoices Received



Electronic Average for 2015/16 = **80%**
 Paper Average for 2015/16 = **20%**

The No More Paper Invoice, Think Invoice, Think Email campaign was started in December 2015, no target set for FY 15/16



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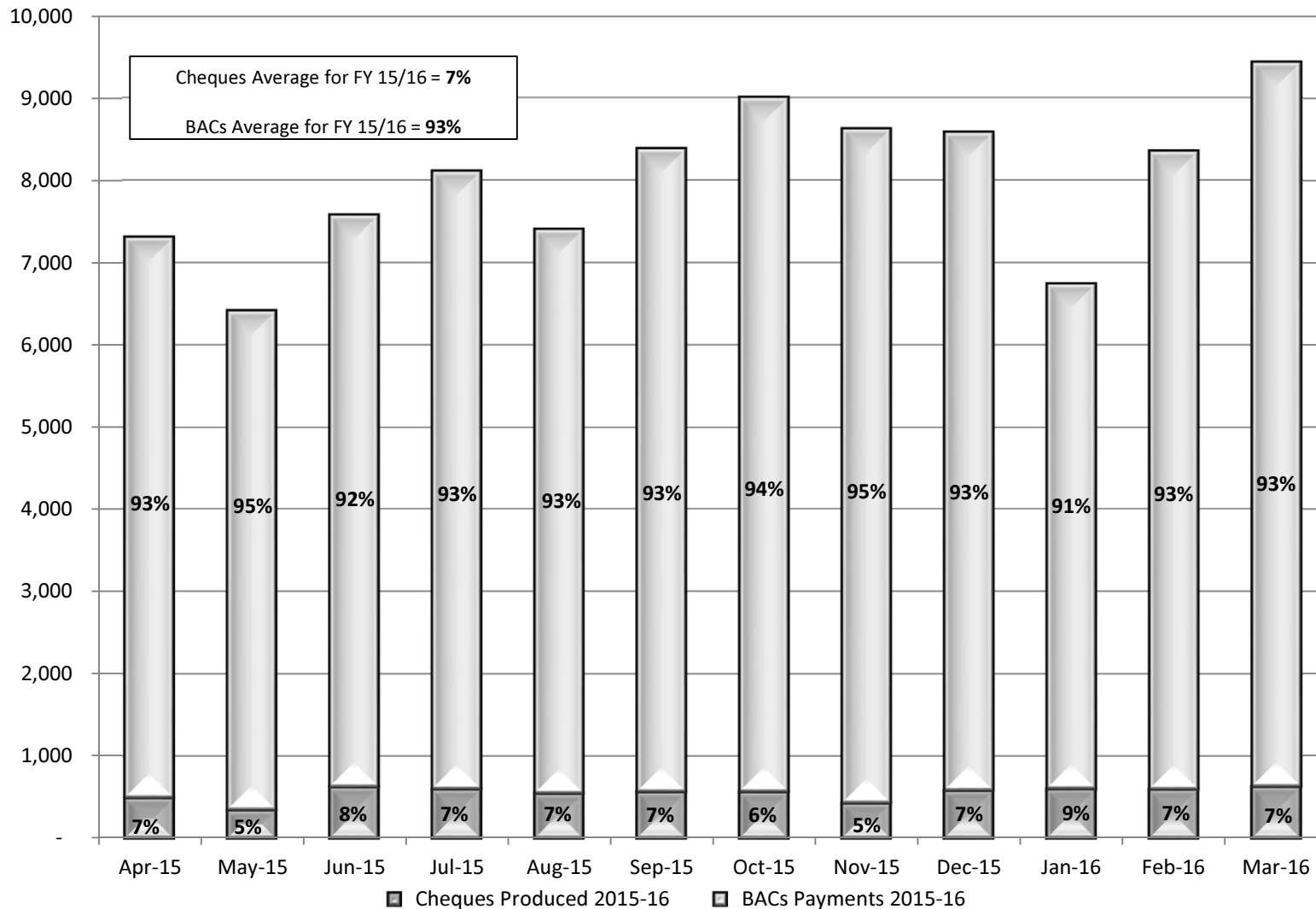
FY 16/17 Q1 Target = **88%**
 FY 16/17 Q2 Target = **91%**
 FY 16/17 Q3 Target = **94%**
 FY 16/17 Q4 Target = **97%**

This graph shows the percentage of invoices received by Accounts Payable in Electronic or Paper form for FY 15/16.

City Procurement

Electronic v Cheque Payments

(Including Revenue Collections Group & Housing Payments)

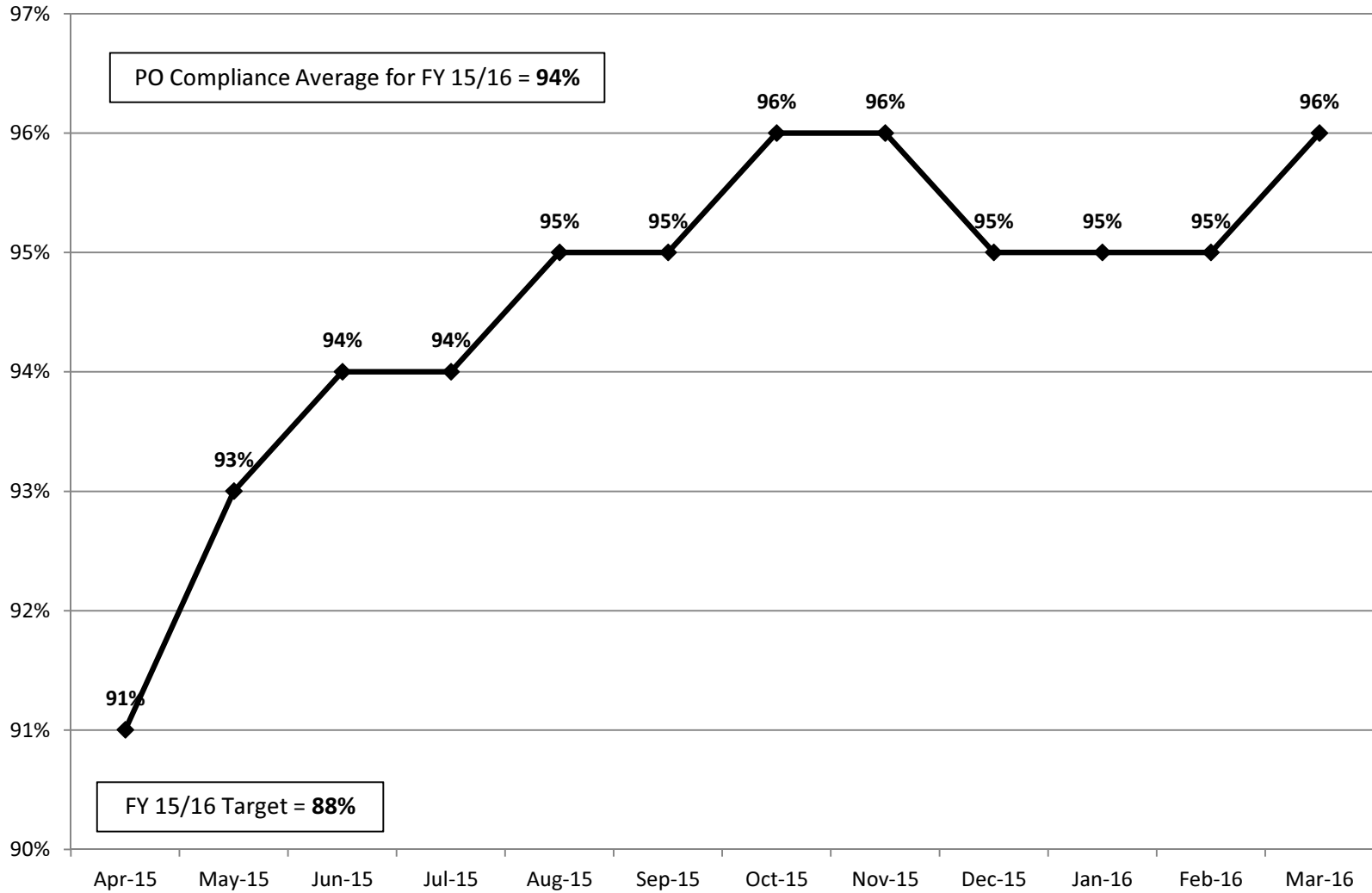


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This graph shows the percentage of electronic interbank payments (BACS) and cheque payments by each month for FY 15/16.

City Procurement

Purchase Order Compliance Trend



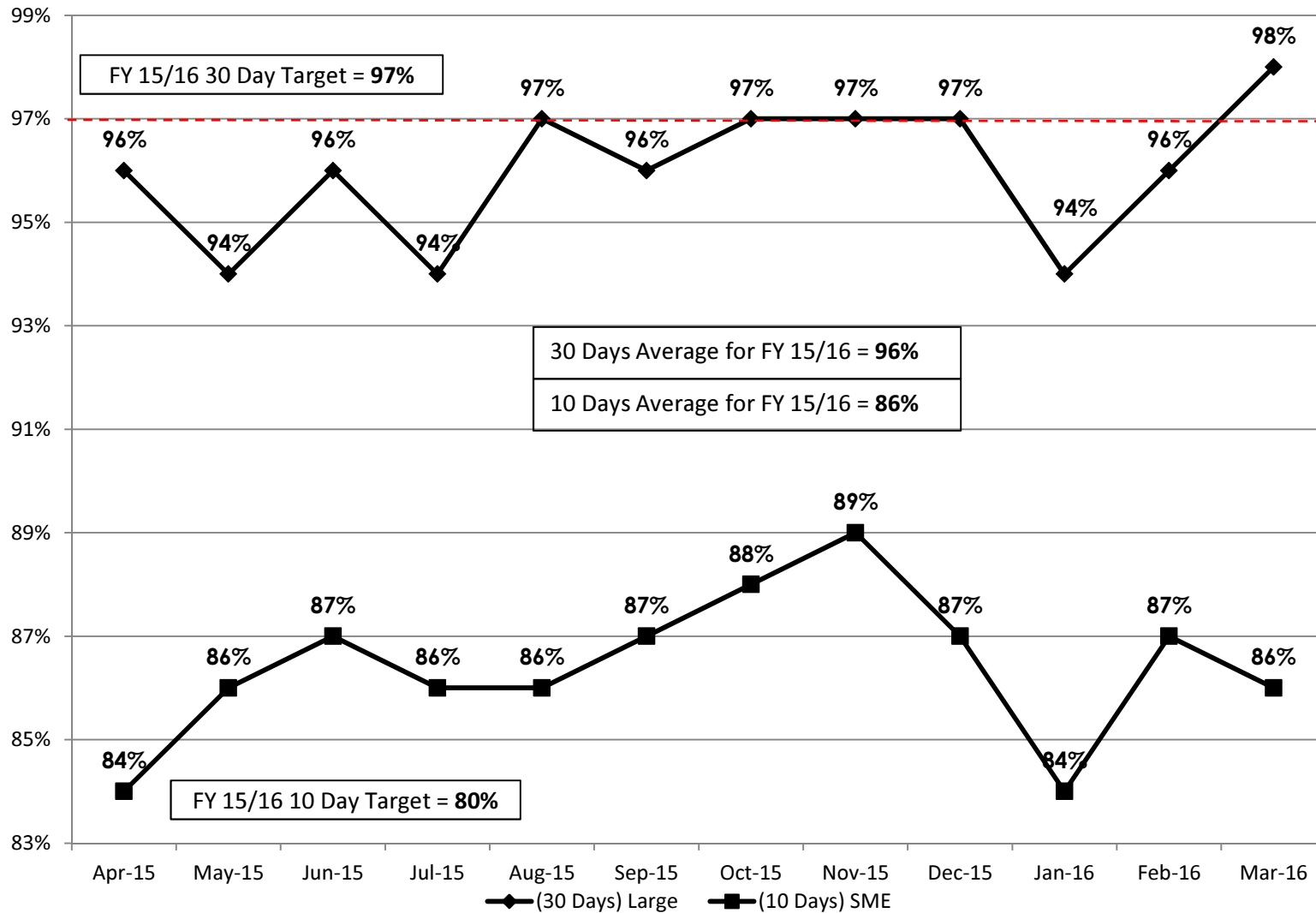
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FY 16/17 Target = 95%

This graph shows the percentage of invoices quoting a valid PO number or exemption code for each month for FY 15/16.

City Procurement

Payment Performance Trend

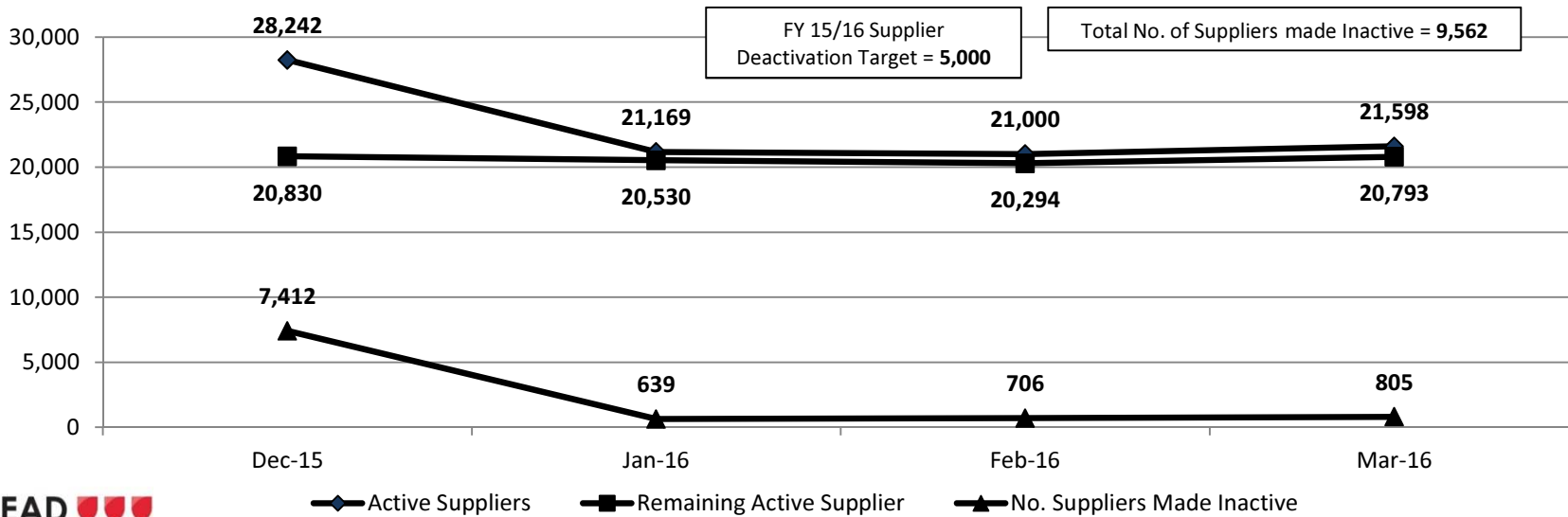
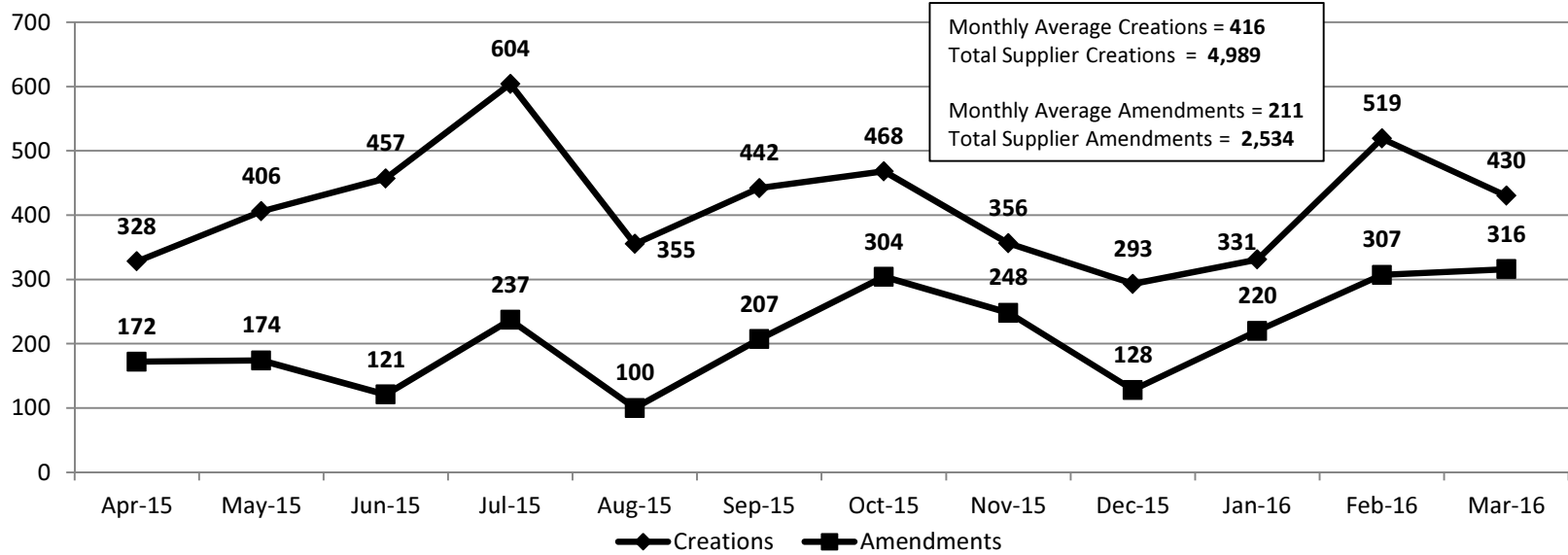


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FY 16/17 30 Days Target = 97%
 FY 16/17 10 Days Target = 88%

This graph shows the percentage of invoices paid within 30 days of receipt and percentage of SME invoices paid within 10 days of receipt for each month for FY 15/16.

Supplier Creations, Amendments & Deactivations



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FY 16/17 Supplier Deactivation Target = 5,000

These graphs show the supplier account creations , account amendments, and account deactivations in Oracle for each month for FY 15/16.

City Procurement

Staff Cost Savings

The following posts have been deleted from the Accounts Payable structure during the last 12 months to support SBR efficiency targets

Previous Post	Saving	Date of Leaving AP
APR Officer	Reallocated / Previous post deleted	01/04/15
Projects & Data Manager	Retired / Previous post deleted	15/05/15
APR Officer	Left Organisation / Replaced with AP Apprentice	21/08/15
APR Officer	Promoted / Replaced with AP Apprentice	28/08/15
APR Officer	Promoted / Previous post deleted	18/01/16

❖ Total net effect of 4 FTE's have been saved in the last year



Successes

- Delivered a continued high level of service, while managing a significant reduction of staff
- Supported Oracle R12 upgrade
- Promoted and implemented No PO No Pay
- Developed reporting and improved PO Compliance
- Improved payment performance and reporting
- CP/Oracle roadmap developed and agreed with Oracle team to develop system improvements
- New CityCard system created, delivered and trained 300+ cardholders and approvers
- Training & Engagement across all departments

Aims & Challenges for FY 2016/17

- Improve E-invoicing by adding scan and capture functionality
- PO Compliance – Continue to perform at a high level
- Think Invoice, Think Email Campaign
- Automate invoices, supplier creation eforms, RCG refunds and payment request forms by using Web ADI
- Consolidate utilities billing
- Increase the use of P-Cards for items initially below £200 to decrease the use of PO's
- Reduce supplier creations in CBIS

City of London



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Committee: Efficiency and Performance Sub Committee	Date: 6 July 2016
Subject: Energy Targets Update – Annual Review 2015/16	Public
Report of: City Surveyor	For Information
Report author: Mansi Sehgal, Corporate Energy Manager	

Summary

This report provides an annual performance update on energy reduction targets set out in the Carbon Descent Plan 2015 (CDP-15) and energy spend. The performance update covers the 12-month period from April 2015 to March 2016 and includes changes in the reporting methodology (weather correction) and introduction to performance benchmarking.

The current analysis shows an overall energy consumption reduction of 1.2% for the 12-month period April 2015 to March 2016 compared to the same 12-month period in 2014/2015. The achieved reduction falls short of the target of 2.25% reduction for this period. The overall performance, based on the existing target trajectory from the baseline year 2008/09, shows a reduction of 15% in absolute terms and 13% weather corrected to date.

At present the City of London Corporation (CoLC) is following the trajectory set out in the London Plan¹ of reducing energy consumption. Having to meet these aspirational targets (of 40% reduction by 2025) is quite a challenging task especially when the CoLC is already under pressure to perform on other competing priorities such as using its assets more efficiently and increasing revenues by organising more events in Guildhall.

The gross annual energy cost (excluding vehicle fuel and water) for 2015/16 was £15.78m, 1.3% lower than for the previous year. That represents 15.6% of the total premises costs.

This report also provides an overview of the future direction of Energy Management in the City Corporation. For example, at present the energy targets are measuring absolute reductions in kWh. Going forward the Energy Management Team would like to introduce targets which will be measuring operational efficiencies and cost savings/avoidance. As a result we are proposing to develop an overarching 'Energy Strategy' that will look to review our current state and propose various strands of work to improve upon both costs and efficiencies.

By developing an Energy Strategy and interlinking it with other initiatives currently progressing, most notably the Strategic Asset Management (SAM) review and the AECOM recommendations² we can look to tackle the energy efficiency agenda centrally and cohesively rather than via the current piecemeal departmental approach.

¹ <https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan>

The London Plan <http://www.london.gov.uk/sites/default/files/London%20Plan%20March%202015%20%28FALP%29.pdf>

² AECOM carried out a study in 2013 to advise the CoL in achieving 40% energy reductions. A set of 14 recommendations were put forward as part of this project which are currently being progressed.

Recommendation

It is recommended that Members:

- Note the contents of this report.
- Support various departments in taking positive actions related to energy reductions.
- Support the progress towards an Energy Strategy and a more cohesive approach to its implementation.

Main Report

Performance Monitoring

Revised Methodology

1. The Energy Team has revised the methodology to assess the energy performance. This change was also recommended in the AECOM study carried out in 2013 and more recently has also been requested by Members.
2. The annual energy consumption figures reported below have been corrected for the variations of the weather. This method allows a more accurate assessment of the performance trend. The weather corrected trend seeks to remove the weather influence and produce a truer estimation of performance change.
3. In addition, the performance of most departments has been benchmarked against standards informed by CIBSE guidance³. This allows the overall energy intensity of the departments, as measured by kWh/m² (gross internal floor area) for electricity and heating, to be compared to typical building standards.

Current Performance

4. The table below indicates the weather corrected energy consumption for 2015/16 is 1.2% lower than the same period in 2014/15. However this reduction has not met the current annual target of 2.25% reduction as set out in the Carbon Descent Plan. Please see Appendix 1 for information on targets.

Table 1: Yearly performance comparison based on weather corrected data

Department	2014/15 (kWh)	2015/16 (kWh)	% Change
Guildhall	22,017,115	22,231,465	1%
Barbican Centre	16,749,146	16,245,679	-3%
Walbrook Wharf	1,978,875	1,817,580	-8%
Built Environment	7,617,451	7,431,443	-2%
Mansion House	2,080,991	1,984,702	-5%
GSMD	6,354,981	7,240,495	14%
CoL Boys	2,895,284	2,751,121	-5%
CoL Girls	2,145,475	2,283,059	6%
CoL Freeman's	3,894,732	3,904,141	0%
Central Criminal Court and Mayor's Court	8,033,499	7,892,490	-2%
Markets	30,545,891	30,739,304	1%
Culture, Heritage & Libraries	5,108,890	4,883,135	-4%
Open Spaces	5,624,932	5,815,558	3%
Police	7,438,815	5,829,798	-22%
Total	122,486,077	121,049,969	-1.2%

³ Chartered Institute of Building Service Engineers, as set out in Guide F, TM46 and the most recent Display Energy Certificates

Commentary

5. At present there are no specific energy related targets set out in the Corporate Plan. This will be reviewed as part of the work on the 2017 Plan. In the meantime we are providing a summary of the targets listed in City Surveyor's Business Plan (2015-19). Please refer to Appendix 2 for individual Departmental commentary.

KPI 6 (a) – To pursue corporate wide energy reduction

6. As shown in table 1, the overall energy consumption has reduced by 1.2% from 2014/15. This reduction is the result of project works undertaken at various sites and closure of assets like Bernard Morgan House. Nevertheless it is still short of the overall annual reduction target of 2.25%.

KPI 6 (b) – To pursue energy reduction in Guildhall and Wallbrook Wharf

7. The consumption at Guildhall has slightly increased by 1%. This increase is the result of plant room issues that are currently being investigated. In addition the increase might not be presenting a true picture as the consumption reported in 2014/15 was lower mainly because the Art Gallery was closed for approximately 3 months (between Sep'14- Jan'15). In Wallbrook Wharf, a reduction of 8.2% has been observed compared to 2014/15 levels. This is the result of the installation of energy efficient LED lights with occupancy controls, installation of a new efficient boiler and on-going monitoring of the BEMS and making seasonal adjustments as required.
8. Both sites were also compared against building benchmarks:

Table 2: Benchmark comparison⁴

	Electricity kWh/m2					Heating kWh/m2				
	Actual 2014/15	Actual 2015/16	% change	Benchmark	Score	Actual 2014/15	Actual 2015/16	% change	Benchmark	Score
Guildhall	186	188	0.8%	92	POOR	188	190	0.9%	144	POOR
Walbrook Wharf	61	60	-1.7%	103	GOOD	50	42	-15.8%	114	GOOD

9. The Guildhall's electricity consumption is 188 kWh/m² compared to typical benchmark of 92 kWh/m², which indicates a poor performance. However this is partly due to the inclusion of consumption for computer servers hence it does not reflect a true picture. We will look to improve this in next few months and introduce another performance metric to provide a better overview.
10. For Walbrook Wharf the electricity consumption is 60 kWh/m² compared to typical benchmark of 103 kWh/m², which indicates a good performance. The heating consumption is 42 kWh/m² compared to typical benchmark of 114 kWh/m² which also indicates good performance.
11. For other departments' benchmarked performances please refer to Appendix 3.
12. We further compared the performance against the baseline year 2008/09. These results are presented in figure 1 below as a cumulative change against targets. It can be seen that there is a gap between the existing performance and the target that was set in the CDP 2015. It also represents a constant consumption pattern from 2012/13 onwards.

⁴Chartered Institute of Building Service Engineers, as set out in Guide F, TM46 and the most recent Display Energy Certificates

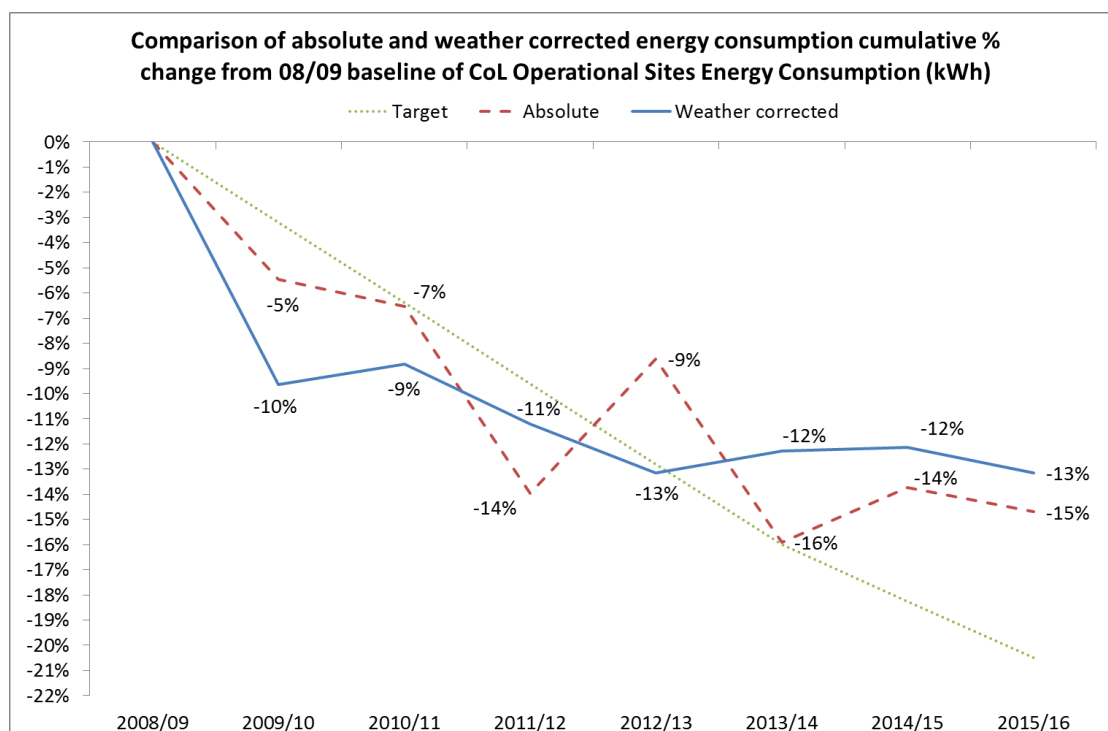


Figure 1: Performance comparison from the baseline year

Energy spend

13. The total gross annual energy cost (excluding vehicle fuel and water) for CoLC was £15.78m in 2015/16, 1.3% lower than the 2014/15 spend of £16m. Please note these costs also include the utility spend on the Investment Portfolio and Housing that do not fall part of CoLC's energy targets set out in the CDP-15. They currently make up approximately 35% of the overall spend. The current energy spend represents 15.6% of the total premises costs (which was £90 m in 2015/16). In the next report, we will aim to provide a benchmark of CoLC's performance against its peers.

14. It should be noted that the energy spend that the end user pays is not directly related to the market commodity price. This is because the energy spend is composed of two components: commodity consumption costs, and non-commodity fixed costs which mainly include charges related to transmission and distribution, etc. Over recent years the non-commodity components of the energy spend has risen significantly, and at present it represents approximately 44% of the overall spend.

15. The Energy Team will be looking at various schemes for managing electricity demand and generation such as available capacity, peak demand management, and demand-side response to reduce the non-commodity part of the energy spend.

Strategic Planning for Future Energy Reductions

Energy Strategy

16. In the short term the Energy Team proposes to develop an 'Energy Strategy' for the CoLC's premises included within this report, which will focus on the following (please note the list below is only indicative):

- CoLC's position in leading the energy agenda within the Square Mile.
- Comparison of CoLC's progress within a national and regional context.
- Review of targets, baseline and ensuring we are capturing the efficiencies.
- Steps to reduce costs, consumption, and environmental impacts in the longer run through:
 - i. proactive monitoring and targeting of energy consumption and control systems to identify and resolve issues of waste and inefficiency early;
 - ii. implementing energy saving projects through the EEF (Energy Efficiency Fund);
 - iii. exploring a whole-life-cost procurement approach to ensure long-term investments deliver best-value through energy efficient buildings and services;
 - iv. exploring strategic options for district energy networks, decentralised energy, and renewables; and
 - v. exploring energy management and energy efficient building standards.
- Preparing CoLC for legislative changes.
- Identifying sources for income generation.

17. Please refer to Appendix 4 for further information.

Energy Procurement

18. Following approval from the Court of Common Council in March, the Energy Team has progressed on signing a two year contract for buying utilities through LASER (energy brokers). In the near future the team, in collaboration with City Procurement, will be testing the market for alternative providers. The present utility contract with LASER is worth approx. £12.5 m hence it is imperative for us to ensure that we get the best value deal going forward.

19. Buying electricity and gas in the whole sale market is a very specialist function (as it involves a range of activities built around economies of scale, bargaining power and commodities and market intelligence etc.) and therefore it is best to outsource such type of functions to specialists in the industry who are able to negotiate best deals for their customers based on their position in the market. LASER currently buys energy on behalf of 180 public bodies with an estimated annual value in excess of £450M. It also currently purchases around 5 Terra Watts (TW) of gas and 3 TW of electricity across its customers representing around 2% of the non-domestic UK market.

20. The majority of the Corporation's purchasing through the LASER energy buying group is on a flexible procurement basis. In a flexible purchasing arrangement all fixed charges for energy supply, such as transmission, distribution, and metering and data collection are pre-settled. LASER carries this out by aggregating the volumes of all the local authorities and public bodies with which it is contracted into one single portfolio to achieve the best prices. This provides a layered risk approach that can help to minimise the volatility of energy prices

AECOM (Strategic Energy Review)

21. A Programme Board, chaired by the Deputy Town Clerk, was established in 2015 to co-ordinate the implementation of the AECOM recommendations set out in 2013 study, and agreed by the Summit Group in 2014 (the recommendations are listed in Appendix 5). The Board meets to:

- review progress on the individual projects and on the overall programme
- help overcome any obstacles that might get in the way of full implementation according to the timescales that we will be agreeing with you, and
- ensure that the correct links are made with other reviews that are already in progress or planned in the future – that would include Operational Property; Accommodation and ways of working; Facilities Management, and Contract Management

22. With the help of the Board we aim to implement all the AECOM recommendations which we believe will ultimately help in fill the gap shown in figure 1. Appendix 6 illustrates how implementing the AECOM recommendations is predicted to impact on reducing energy consumption by 2025/26.

23. Following Members' agreement to the establishment of an Energy Efficiency Fund, the Board has agreed the terms and conditions and the format of the business case template. This was launched in June 2016. The Fund will allow for easy access to finance, enabling the City Corporation to make strategic investments in its operational properties in order to reduce energy consumption and counter the impact of rising energy prices. The Programme Board will act as the decision making body in respect of applications to use the Fund.

24. The next steps for the Board are to:

- Work with the lead officers to establish the continued relevance of the recommendations (as they are now nearly three years old), quantify the potential savings, and assign a priority rating to those recommendations that are still worth pursuing
- Develop a Roadmap, summarising progress on the individual recommendations, for reporting to the Strategic Resources Group and Summit Group.
- Develop a clear communications plan, to inform staff across the City Corporation about the programme and the outcomes.

Energy Team

25. The past year was mainly focussed on implementing the new team structure and recruiting for the new posts. The new team is now in place can progress the above tasks. Further detail for some of the above-mentioned projects is provided in Appendix 4.

Conclusion

26. Even though CoLC has reduced its overall energy consumption from last year, it is apparent that a further effort is required to achieve the reductions that were set in the CDP plan 2015. Therefore it is recommended that CoLC takes a more pro-active approach from 2016/17 onwards to be able to meet its targets.

27. We believe by developing an Energy Strategy and interlinking it with other areas of works such as the Strategic Asset Management (SAM) review and the AECOM recommendations the CoLC can look to tackle the energy efficiency agenda cohesively rather than via the current piecemeal departmental approach.

Appendices

- Appendix 1 – Energy Targets
- Appendix 2 – Departmental performance commentary
- Appendix 3 - Performance against Benchmarks
- Appendix 4 – Future projects for the Energy Team
- Appendix 5 – AECOM Recommendations
- Appendix 6 - AECOM Recommendations impact on energy targets

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Appendix 1: Energy Targets

Energy Targets

- a. In June 2014 Chief Officers agreed to adopt further energy reduction targets as part of the City's overall strategy to reduce the energy usage by 40% by 2025. Further reductions of 9% have been targeted above the 16% already achieved in 2013/14 below the baseline year of 2008/09.
- b. Below is a representation of the targets adopted by the City of London to date. These targets do not monitor the consumption related to the Investment property and Housing portfolio.

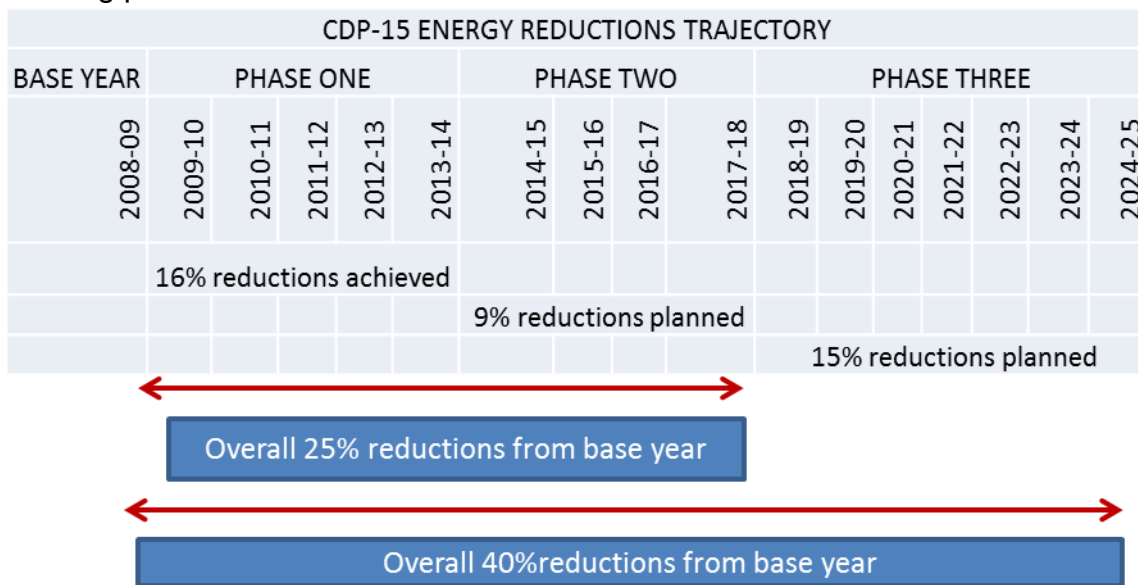


Fig 2: City of London's Energy Reduction Trajectory

Appendix 2: Departmental commentary based on weather corrected data

At present no energy reduction targets have been set or allocated for each department. As a result, the commentary below is based on the assumption of applying the wider target of achieving annual reduction of 2.25% each year. In the near future, we shall be discussing and agreeing on individual departmental targets which will be in line with the corporate direction that we will set out in the Energy Strategy work.

1. **Guildhall:** 1% increase

This increase is partially due to the heating and cooling issues reported at GYE that are currently being investigated. In addition the consumption reported in 2014/15 was also lower mainly because the Art Gallery was closed for approximately three months (between Sep-14 to Jan-15). In addition other refurbishment projects including the alterations to the 2nd floor North Wing, refurbishment of the Members Boardroom, the Heritage Gallery projects and Gallery ductwork cleaning & North Wing Restaurant ventilation works contributed towards the recorded low consumption in 2014/15.

2. **Barbican Centre:** 3.0% decrease

Electricity and gas consumption increased marginally by 1% and 2% respectively. However the chilled water supply from Citigen decreased by 12% and Citigen heat supply decreased by 6% which resulted in the overall decrease in the Barbican's energy consumption of 3%. The reason for the chilled water reduction may be related to a milder summer in 2015 and therefore less demand for space cooling. The figures are not current weather corrected for cooling demand and hence this influence is reflected in the results. The reduction in Citigen heat supply is mainly a meter reading issue as in 2014/15 estimated readings were used due to a faulty meter and may have resulted in a lower reported consumption in that year than actually occurred.

3. **Walbrook Wharf:** 8.2% decrease

The 2% reduction in electricity could be related to the installation of energy efficient LED lights with occupancy control. The 16% reduction in gas is likely due to a new boiler being installed and ongoing monitoring the BEMS and making seasonal adjustments as required.

4. **Built Environment:** 2.4% decrease

There were notable reductions at Millennium Bridge Lift (66% lower), which is likely related to the installation of LED lighting. There were also significant reductions at Upper Thames Street Tunnel Lighting (18% lower), and Manual Public Toilets Tower Hill (86% lower).

5. **Mansion House:** 4.6% decrease

There was a 2% reduction in electricity, and overall 7% reduction in gas. This is the result of their initiatives of switching the plant off when not needed. During August it was switched off for most of the month as there were no events and the kitchens were not operational. Traditional lights have been switched to LED – the project that was in part carried out last year and part of it was completed this year.

6. **GSMD (incl. Milton and Sundial Court):** 13.9% increase

Electricity consumption has remained fairly similar with only a 2% increase. The reason for the overall increase in energy consumption is mainly due to a 41% increase in the Citigen heat supply. The reason for this increase is likely a combination of lower Citigen heat supply in 2014/15 (due to heat network issues) and an increase in demand for heat

from GSMD due to greater operating hours for events (concert halls and theatres). The Citigen issues have been resolved and GSMD have recently improved the heat transfer connection efficiency.

7. City of London's Boys School: 5.0% decrease

There was a 3% reduction in electricity and 7% reduction in gas consumption use for heating and hot water due to rectification of fault with controls.

8. City of London's Girls School: 6.4% increase

There was a 12% increase in electricity and a 20% reduction in gas (incl. 40% reduction in use at Marvels Lane Sportsground). The school's swimming pool (which represents approx. a quarter of their electricity consumption) was out of action between May 2014 and January 2015. As a result it impacted the performance numbers reported in 2014-15. At present the pool is currently in use for 7 days a week resulting in higher consumption overall. Furthermore as a result of the two recent extensions (of approx. 200 sqm) in the school the overall consumption has been increased. The school's private hire has also been recently increased which usually requires heating and ventilation systems to remain switched on for longer time periods.

9. City of London Freeman's School: 0.2% increase

A 10% reduction in electricity. The 7% increase in gas, mostly due to new boarding school building. In addition the 2014-15 the consumption was low partially due to some faulty boilers having an impact on the overall consumption.

10. Courts: 1.8% decrease

5% increase in electricity, related to the Central Criminal Court, mainly occurred over Jan-Mar 2016 and potentially related to extended opening hours for refurbishment works. 15% reduction in gas and 8% reduction in oil for CCC is related to a new gas boiler. There has been a change in catering requirements and reduction in the number of court sessions this year compared to last year.

11. Markets: 0.7% increase

Overall 1% increase in electricity with some sites contributing to higher consumption (Spitalfields and Billingsgate) and others to lower consumption (London Central Markets). A 3% reduction in gas, but this is overall a lower proportion of the total energy use. A 6% increase in Citigen heat and 2% decrease in Citigen chilled water to London Central Markets.

12. Culture, Heritage & Libraries: 4.4% decrease

Tower bridge gas consumption reduced by 15% and electricity by 3%, possibly due to site occupancy variations. London Metropolitan Archives gas consumption reduced by 10% but electricity increased by 22% which is due to a maintenance issue related to chillers which Mitie is currently investigating.

13. Open Spaces: 3.4% increase

Overall increase mainly due to increase gas consumption at the Crematorium. In 2014-15 the consumption was particularly low partly due to the office building (Office Garden) being without heating for six months due to an issue with central heating boilers.

14. The City of London Police Estate: 21.7% decrease

Overall the Police Estate energy consumption reduced by 1,891,017 kWh of which 34% was due to the vacation of Bernard Morgan House, 38% due to reductions at Bishopsgate Police Station, and 10% due to reductions at Wood Street Police Station.

Appendix 3: Performance against Benchmarks

The performance of most departments has been benchmarked against standards informed by CIBSE guidance⁵. This allows the overall energy intensity of the departments, as measured by kWh/m² (gross internal floor area) for electricity and heating, to be compared to typical building standards, see table 3. This provides another indication of performance, and the table indicates where performance is better or worse than typical. Where there no direct comparisons available we have marked them blank (TBCs) as these consist of many different types of buildings and a composite benchmark will need to be developed in due course to compare their performance.

The Energy Team will be looking to expand on this in the 2016/17 reporting period with further intensity usage indications, such as “workplace density” which is calculated as the NIA divided by the number of workstations in an office building.

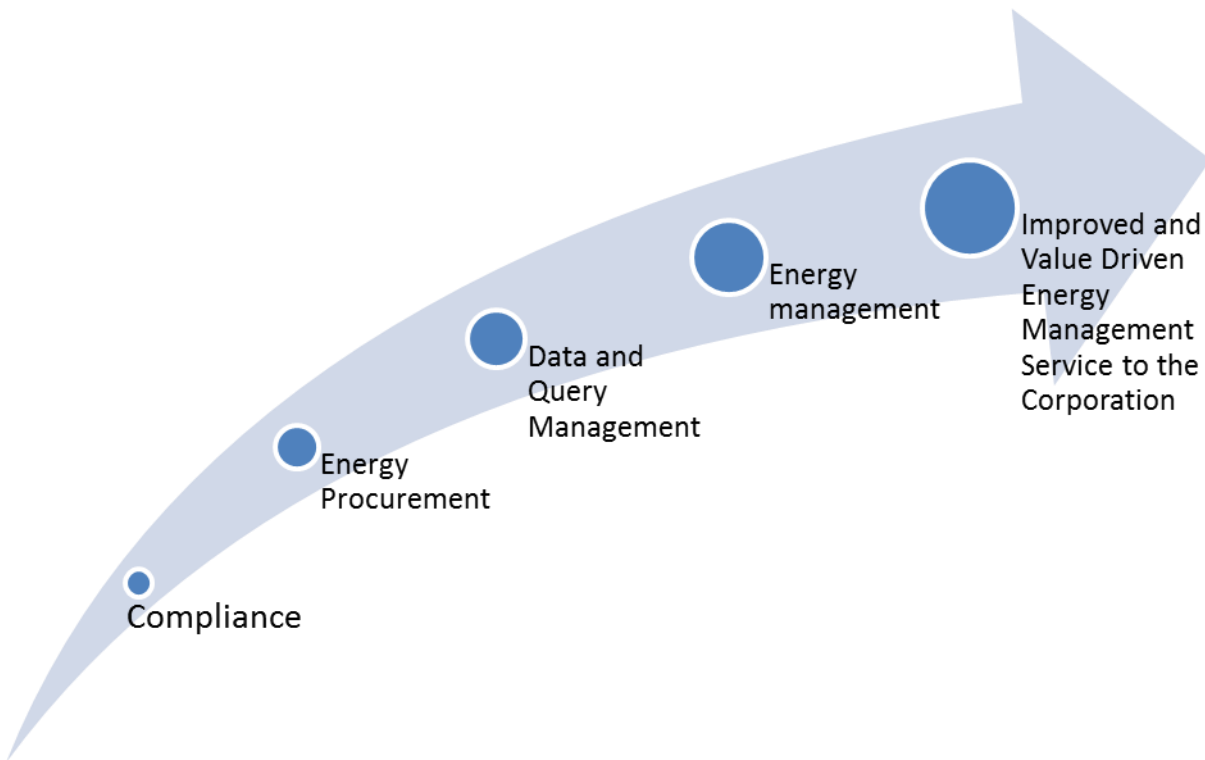
	Electricity kWh/m ²					Heating kWh/m ²				
	Actual 2014/15	Actual 2015/16	% change	Benchmark	Score	Actual 2014/15	Actual 2015/16	% change	Benchmark	Score
Guildhall	186	188	0.8%	92	POOR	188	190	0.9%	144	POOR
Walbrook Wharf	61	60	-1.7%	103	GOOD	50	42	-15.8%	114	GOOD
Barbican Centre	109	109	0.7%	70	POOR	96	89	-7.6%	175	GOOD
Built Environment	125	122	-2.3%	TBC	TBC	NA	NA	NA	NA	NA
Mansion House	104	102	-1.7%	73	POOR	155	145	-6.5%	303	GOOD
GSM D	96	102	7.0%	54	POOR	72	98	35.8%	166	GOOD
CoL Boys	64	62	-2.9%	32	POOR	87	81	-6.4%	164	GOOD
CoL Girls	169	189	11.8%	115	POOR	38	31	-19.8%	132	GOOD
CoL Freeman's	77	69	-10.5%	33	POOR	124	132	6.6%	144	OK
Courts	81	85	4.9%	74	OK	132	123	-6.7%	182	GOOD
Markets	242	243	0.5%	123	POOR	79	80	0.8%	8	POOR
Culture, Heritage & Libraries	139	139	0.6%	TBC	TBC	98	87	-11.9%	TBC	TBC
Open Spaces	38	39	4.8%	TBC	TBC	84	86	2.6%	TBC	TBC
Police	111	109	-2.3%	67	POOR	114	85	-25.7%	456	GOOD

Table 3: Normalised and benchmark performance comparison

⁵ Chartered Institute of Building Service Engineers, as set out in Guide F, TM46 and the most recent Display Energy Certificates

Appendix 4: Future projects for the Energy Team

The Energy Team have the following key deliverables and looking to provide an improved value driven service to the Corporation.



Even though the team is currently covering all of the above, there is a scope for improvement in each area. The team is looking to work on the following strategic strands in next few months to improve upon from the current state:

- a) Develop an overarching 'ENERGY STRATEGY' for the Corporation which will focus on (please note the list below is only indicative):
- CoLC's position in leading the energy agenda within Square Mile.
 - Comparison of CoLC's progress within a national and regional context.
 - Review of targets, baseline and ensuring we are capturing the efficiencies.
 - Steps to reduce costs, consumption, and environmental impacts in the longer run through:
 - i. proactive monitoring and targeting of energy consumption and control systems to identify and resolve issues of waste and inefficiency early;
 - ii. implementing energy saving projects through the EEF (Energy Efficiency Fund);
 - iii. exploring a whole-life-cost procurement approach to ensure long-term investments deliver best-value through energy efficient buildings and services; exploring strategic options for district energy networks, decentralised energy, and renewables; and
 - iv. exploring energy management and energy efficient building standards.
 - Preparing CoLC for legislative changes.
 - Identifying sources for income generation.

Timeline: Hoping to have the first draft ready for circulation in October 2016.

b) Utilities Procurement

- The CoLC have been using LASER as its energy broker since 2009. Recently a new contract was signed with LASER covering a two year period (Oct'16-Sep'18).
- The utilities market has changed a lot in recent years. Many new players have come on board offering innovative products and embedding sustainability / green principles within energy procurement. As a result the energy team is looking to carry out a market research and ascertain the best suitable option available for the next generation contract starting from Oct'18.
- The current utilities spend in the Corporation is approximately £16 m and therefore worth investigating further given that energy costs are moving in general on an upward trajectory.

Timeline: to be discussed and agreed with City Procurement

c) Streamlining Compliance offerings for the Corporation:

- The CoL qualifies to participate in various carbon and energy compliance schemes including the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES), the Energy Savings Opportunity Scheme (ESOS), Display Energy Certificates (DECs), Energy Performance Certificates (EPCs), Heat Network Metering Regulations (HNMR) etc.
- At present the Energy team manages the delivery of most of the compliance schemes nevertheless there is a scope of improvement to align / streamline the service for the Corporation.
- For example it is not very clear at present if the Energy Team should be leading in delivering the DECs services for the Corporation. At present the team is project managing the delivery however there are a few sites/ departments who are carrying out their own DECs. Obviously it will be more cost effective if there is one central delivering point of such services within the Corporation.

Timeline: Dec'16- Mar'17

d) Exploring market opportunities to generate revenue and avoiding penalties.

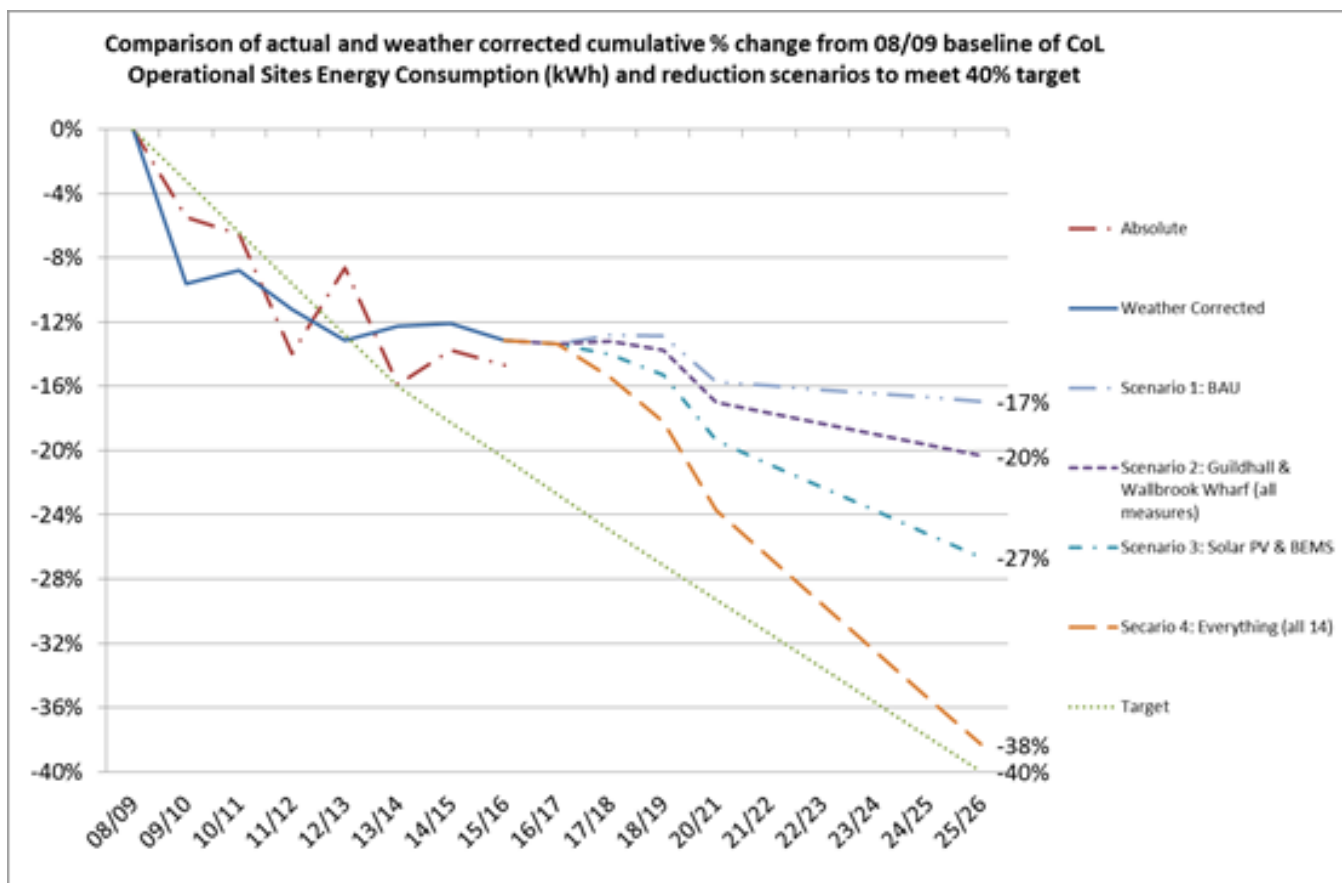
- As said above the energy industry is constantly changing and it is imperative for the team to ensure they are up-to-date with the changes taking place in the industry and delivering any benefits to the Corporation as a result.
- To illustrate the above the National Grid has recently launched an initiative called Demand Side Response (DSR) which allows customers to manage its consumption patterns i.e. by moving consumption away from high priced times of 4-7pm for example.
- The Energy Team is keen to explore such opportunities in the near future to bring in additional savings from such initiatives.

Timeline: Hoping to identify one or two projects as a result by March 2017.

Appendix 5: AECOM Recommendations

- Building Prioritisation - The main focus of investment should be on Guildhall and Barbican Centre followed by buildings that attribute maximum direct savings direct to the City Corporation.
- Technology Prioritisation - Priority Energy reduction technologies are BEMS, Insulation, Lighting, Savacontrols, LED Lighting and Street Lighting.
- Public and Street Lighting - upgrade standard lamps to LED lanterns, greater control and dimming.
- Space rationalisation - to maximise accommodation utilisation in particular at Guildhall and Walbrook Wharf adopting a sharing ratio of 80%.
- Citigen private wire – explore the potential to take electricity direct from Citigen’s CHP generation.
- Changes to Building Repairs and Maintenance Contract – how to incentivise [the contractor] to bring forward proposals for energy.
- In-house BEMS manager – prepare person spec and recruit dedicated in-house BEMS engineer.(Implemented)
- Metering Strategy – to develop high level energy metering strategy.
- IT server – move City Corporation main IT servers offsite. Consider relocation / consolidation of Police and Barbican/GSMD servers.
- Soft Landings – adopt Government Soft Landings (GSL) approach to projects along with the use of Building Information Modelling.
- Energy Efficiency Fund – establish an internal energy efficiency fund and bidding mechanism. (Implemented)
- Sources of funding – to identify funding sources linked to recommendation 10 above.(deleted following the AECOM board review in 2015)
- Additional Works Programme (AWP) and Cyclical Replacement – to review AWP process to facilitate enhanced saving potential.
- Weather correction – should be incorporated in review of energy reporting and targets. (Implemented)
- PVs – City Corporation should consider potential for installing large PV arrays on those buildings with suitable large roof areas and significant daytime on-site electricity demand. Commission high level feasibility study to consider this potential further.

Appendix 6: AECOM recommendations and CDP Energy Targets



Notes:

- Absolute: presents the change in the actual energy consumption from 2008/09 to 2015/16
- Weather Corrected: presents the weather correction of the historical consumption to 2015/16
- Scenario 1: Business As Usual, this includes estimated savings from continued energy efficiency measures and changes to the estate assets
- Scenario 2: Implementation of all measures identified for Guildhall and Walbrook Wharf
- Scenario 3: Install PV arrays (1MW of panels) and Building Energy Management System and control improvements across all sites
- Scenario 4: Implement all the AECOM recommendations and identified energy saving opportunities
- AECOM originally proposed measures to meet the 40% target. This included assumptions about changes to CoL assets, such as building closures. Current analysis indicates that the savings from these changes are less than originally anticipated and therefore there is a 2% gap from target remaining.

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