



Efficiency and Performance Sub (Finance) Committee

Date: WEDNESDAY, 30 NOVEMBER 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
Sheriff & Alderman Peter Estlin
Deputy Jamie Ingham Clark
Alderman 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 12 October 2016.

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

For Information
(Pages 5 - 6)
5. **EXTERNAL SPEAKER - EMBEDDING A CULTURE OF CONTINUOUS IMPROVEMENT**
To hear a presentation from an external speaker from the Continuous Improvement Institute.

For Information
6. **DEPARTMENTAL BUSINESS PLANNING PROCESS**
The Town Clerk to be heard.

For Information
7. **EFFICIENCY AND SUSTAINABILITY PLAN - NEXT STEPS**
Report of the Chamberlain.

For Information
(Pages 7 - 14)
8. **THE ESTABLISHMENT OF A PROCUREMENT INVEST TO SAVE FUND**
Report of the Chamberlain. This report was approved by the Finance Committee on 15 November 2016.

For Information
(Pages 15 - 20)
9. **WORK PROGRAMME FOR FUTURE MEETINGS**
Report of the Town Clerk.

For Information
(Pages 21 - 22)
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 12 October 2016.
- For Decision**
(Pages 23 - 26)
14. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**
Report of the Town Clerk.
- For Information**
(Pages 27 - 28)
15. **SERVICE BASED REVIEW MONITORING**
Joint report of the Town Clerk and Chamberlain.
- For Information**
(Pages 29 - 36)
16. **GUILDHALL SCHOOL - SUSTAINABILITY (OPERATING MODEL REVIEW) BY PA CONSULTING**
Joint report of the Town Clerk and Chamberlain. This report was considered by the Board of Governors of the Guildhall School of Music and Drama on 14 November 2016, and will be considered by the Finance Committee on 13 December 2016 and Policy and Resources Committee on 15 December 2016.
- For Information**
(Pages 37 - 80)
17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
18. **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, 12 October 2016

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

Jeremy Mayhew (Chairman)	Deputy Jamie Ingham Clark
Randall Anderson	Ian Seaton
Sheriff & Alderman Peter Estlin	Deputy John Tomlinson

Officers:

Christopher Braithwaite	-	Town Clerk's Department
Neil Davies	-	Town Clerk's Department
Richard Horner	-	Town Clerk's Department
Kate Smith	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Christopher Bell	-	Chamberlain's Department
Paul Nagle	-	Chamberlain's Department
Michael Cogher	-	Comptroller and City Solicitor
Paul Wilkinson	-	City Surveyor
Peter Collinson	-	City Surveyor's Department
Ian Hughes	-	Department of the Built Environment

1. APOLOGIES

Apologies were received from Deputy Roger Chadwick, Deputy Anthony Eskenzi and Philip Woodhouse.

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 6 July 2016 be agreed as an accurate record.

4. OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS

The Sub-Committee considered a report of the Town Clerk which set out the outstanding actions from previous meetings of the Sub-Committee.

Staff Suggestion Scheme

The Chairman expressed his dissatisfaction that no further report had yet been received regarding the Staff Suggestion Scheme, following consideration of a report in May 2016. The Chairman commented that the Sub-Committee had requested that Officers produce a report to advise Members of how Officers would ensure that staff suggestions are effectively captured and, where appropriate, implemented. The Chairman also commented that the Sub-Committee had requested that Officers identified best practice from Departments which had been effective in using staff suggestions, and ensured that best practice was communicated to all Departments.

The Town Clerk advised that the Staff Suggestion Scheme was currently operated by the Internal Communications Team and had previously been the responsibility of the Deputy Town Clerk. Following her recent departure, that team was now under the management of the Director of Communications.

The Sub-Committee agreed that the Director of Communications should submit a report to the next meeting to provide the requested update on the Staff Suggestion Scheme. The Head of Corporate Strategy and Performance advised that she would ensure that this report also provided information regarding how Staff Suggestions could be incorporated into the Corporate Plan framework which was being developed. The Head of Corporate Strategy and Performance advised that Members would be consulted on this framework, through the Business Planning Working Group.

Efficiency Plan

The Chairman requested that an initial report, providing information of additional savings plans beyond the current Service Based Review, in line with the Efficiency Plan, should be submitted to the Sub-Committee's next meeting. The Chairman commented that the purpose of this report should be to indicate how the Corporation could aim to embed a process of continuous improvement and associated efficiency savings throughout the organisation, rather than the existing process of periods of specific savings plans every few years, such as the Service Based Review.

RESOLVED – That the Committee:

- a) notes the report;
- b) agrees that the Director of Communications and Head of Corporate Strategy and Performance provide a report regarding the Staff Suggestion Scheme to the Sub-Committee's next meeting; and
- c) agrees that the Chamberlain provide a report regarding a process of continuous improvement and associated efficiency savings, in line with the Efficiency Plan, to the Sub-Committee's next meeting.

5. WORK PROGRAMME FOR FUTURE MEETINGS

The Sub-Committee considered a report of the Town Clerk which set out the work plan for future meetings.

The Chairman commented that the Work Programme required improvement in the categorisation of forthcoming reports to provide Members with sufficient clarity regarding the purpose of each report. He requested that officers review

the categories within the Work Programme and ensure accurate categorisation of reports, to ensure that it provided the information in a more appropriate structure.

RESOLVED – That the Sub-Committee notes the report.

6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There were no items of urgent business.

8. **EXCLUSION OF THE PUBLIC**

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

Items	Paragraph
9-15	3

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

The non-public minutes of the meeting held on 6 July 2016 were agreed as an accurate record.

10. **DEPARTMENT OF THE BUILT ENVIRONMENT - SERVICE BASED REVIEW PROGRESS REPORT**

The Sub-Committee noted a report of the Director of the Built Environment which provided information of progress made by the Department of the Built Environment in achieving its saving targets, which were agreed within the Service Based Review.

11. **SERVICE BASED REVIEW - STRATEGIC ASSET MANAGEMENT**

The Sub-Committee noted a joint report of the Town Clerk, Comptroller and City Solicitor, City Surveyor and Chamberlain which provided an update regarding the implementation of the Strategy Review of Asset Management, which had been conducted as part of the Service Based Review.

12. **SERVICE BASED REVIEW MONITORING**

The Sub-Committee noted a joint report of the Town Clerk and Chamberlain which provided an update in respect of the Service Based Review cross-cutting reviews, key departmental projects, and the monitoring of realisation of the financial savings agreed under the Service Based Review.

13. **SERVICE BASED REVIEW - SAVINGS TARGET**

The Sub-Committee noted a report of the Chamberlain which provided updates regarding the Service Based Review savings targets.

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

There were no questions.

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

There were no items of urgent business.

The meeting closed at 2.45 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.	Oct 2016	<p>Staff Suggestion Scheme Officers to produce a report to advise:</p> <ul style="list-style-type: none"> i) how Officers will ensure that staff suggestions are effectively captured and implemented; ii) how best practice from Departments is identified and communicated to all Departments. iii) How staff suggestions could be incorporated into the Corporate Plan Framework. 	Director of Comms and Head of Corporate Strategy and Performance	November 2016	This information will be provided during the presentation regarding the Departmental Business Planning process.
2.	Oct 2016	<p>Efficiency Plan An initial report to be submitted to the Committee's next meeting. The report will provide:</p> <ul style="list-style-type: none"> i) information of additional savings plans beyond the current Service Based Review ii) how the Corporation can aim to embed a process of continuous improvement and associated efficiency savings throughout the organisation, including through embedding in the departmental business planning process. 	Chamberlain	November 2016	<ul style="list-style-type: none"> i) Report is included within agenda. ii) Information regarding this will be provided during the presentations regarding Continuous Improvement and the Departmental Business Planning process.
3.	Oct 2016	<p>Work Programme Officers to review the categories within the Work Programme and ensure accurate categorisation of reports and that information is provided in an appropriate structure.</p>	Town Clerk	November 2016	Revised version of work programme is included within the agenda

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Committee: Efficiency and Performance Sub-Committee	Date: 30 November 2016
Subject: Efficiency and Sustainability Plan – Next steps	Public
Report of: Chamberlain	For Information
Report author: Paul Nagle, Chamberlain's Department	

Summary

The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13th October 2016.

The Efficiency and Sustainability Plan focuses on the existing Service Based Review programme and other agreed transformation initiatives and developing a framework for continuous efficiency improvement for 2017/18 and later years.

The continuous improvement target will simply result in Departmental local risk budgets being reduced year-on-year from 2018/19, with Chief Officers and their Departmental Management Team given the full responsibility to formulate the efficiency and performance improvements.

Departments should be incentivised to identify and pursue efficiency and performance initiatives that exceed Departmental savings targets so that new service improvements can be made or continuous improvement targets achieved earlier or to a greater extent than that prescribed by the incremental reductions in Departmental Budgets. The governance for these carry-forward proposals would be the same as for other carry-forward requests. It is also expected that these proposals would feature clearly in the Business Plans of the department.

It is proposed that every Chief Officer undertakes an Efficiency and Effectiveness Peer review with an initial pilot being undertaken from January 2017,.A subsequent Peer Review programme would be developed for 2017/18, which would feed into the business planning and budget setting cycle from 2018/19.

Service Committees would need to be engaged in relation to specific improvement proposals for their areas of responsibility through the normal member engagement process for Departmental business planning and budget setting.

Recommendations

Members are asked to:

- a) Note the proposals for implementing the Continuous Improvement savings target; and
- b) Note the approach being adopted for progressing Chief Officer Peer Reviews

Main Report

Background

1. The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13th October 2016.
2. The Efficiency and Sustainability Plan focuses 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.
3. The Plan sets out a framework that incorporates 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. The key aspects are:-
 - An across the board light touch continuous improvement target reducing departmental budgets by up to 2% 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.
 - A rolling programme of departmental peer reviews to help identify more radical effectiveness and efficiency improvements, most likely to impact from 2018-19 onwards (but with pilots starting in earlier years).
 - Further cross cutting reviews, including prevention/demand management, when the current reviews have been implemented.
4. Although the City Corporation's non-local authority services are not covered by the DCLG requirements, it is intended that this framework will apply to all Departments. Separate discussions are taking place with the Police Commissioner on the development of a further efficiency and change programme to ensure the Force is sustainable.

Efficiency and Continuous Improvement Plan Framework

Agreed Principle - An across the board light touch continuous improvement target reducing departmental budgets by up to 2 % 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.

5. The continuous improvement target will simply result in Departmental local risk budgets being reduced year-on-year, with Chief Officers and their Departmental Management Team given the full responsibility to formulate the efficiency and performance improvements. Departments should be able to identify efficiency and performance savings as part of business as usual through the business planning process. Where increased income generation is identified as a means by which the improvement target will be achieved, departments will be expected to assess the risk of the increased income not being achieved and the contingency that would be adopted.

6. The medium term financial strategy agreed by Members prior to setting the 2016/17 budget factored in allowances for pay and prices at 1.5% for 2016/17 and thereafter at 1% per annum for the years 2017/18 to 2019/20. It is intended that these automatic uplifts will be removed which will result in a further 1-2% downward pressure in addition to the cash reduction. If the application of this approach is likely to cause unintended service pressures as a consequence of a general increase in the prevailing inflation rate which is now looking more probable or specific cost inflation pressures, then this approach can be modified at the time of commencing the 2018/19 annual budget estimates stage.
7. The continuous improvement target will be applied to all local net risk budgets, there will be no ring-fencing or exceptions to the continuous improvement target. Any service growth proposals on funding pressures resulting in an additional resource request would need the approval of Resource Allocation Sub-Committee and Policy & Resources Committee.
8. Central Risk budgets will not be subject to the same continuous improvement target. Central Risk Budgets had been previously reviewed by the former Chief Officer - Efficiency Board in 2013 and reported to the Efficiency and Performance sub-Committee. It is proposed that:-
 - a) There will be a review of the principles that distinguish between central and locally held budgets and a review of the application of that distinction across costs and income budgets
 - b) A review of central risk budgets will be undertaken by the Chamberlain and Town Clerk to determine if there are opportunities for identifying efficiency savings
9. For the three independent schools the continuous improvement target will relate to the City's contribution. For the Guildhall School, following the PA consulting report it is intended to develop a MOU for the civic contribution the school provided for the City. It is intended that the continuous improvement target would apply to that contribution.
10. In certain areas, City Surveyors (& Markets) – efficiencies are often not cashable as they go back to tenants in reduced service charges. As a service provider, users of these services should expect a continuous improvement approach from the City and therefore it is expected that the same continuous improvement target should apply, even if the net local risk budget impact is neutral.
11. It is planned that the actual recommended target of up to 2% will be agreed with members at the Resource Allocation Sub-Committee away day in June 2017 following consultation with Chief Officers and subsequently formally approved through the 2018/19 budget setting process. Specific consideration may be given to departments where they still have an original SBR target to deliver in 2018/19.

Incentivisation

12. Departments should be incentivised to identify and pursue efficiency and performance initiatives that exceed Departmental savings targets so that new service improvements can be made or continuous improvement targets achieved earlier or to a greater extent than that prescribed by the incremental reductions in Departmental Budgets.
13. Where departments are able to identify discrete improvement initiatives that will deliver budget savings earlier than the year in which they need to be in place, then they would be given the potential to retain 100% of the savings to carry forward into the subsequent year as part of the carry forward process.
14. The main consideration for an application of this incentive would be:-
 - The continuous improvement proposal had been identified as part of the Departments business plan
 - The cost saving arises from a genuine adoption of more transformational and effective working methods.
15. Incentivisation is much more likely to be applied where Departments can demonstrate a strong transformation approach being adopted on earlier year savings programmes. This would not apply to any windfall gains, general underspending or fortuitous income will be considered as per the existing carry forward arrangements.
16. The governance for these carry-forward proposals would be the same as for other carry-forward requests, i.e.
 - Departments provide a short business case to the Chamberlain via Head of Finance
 - Consultation with Summit Group on carry-forward bids to be supported and declined
 - Carry forward list agreed with Chairman of Finance and Policy and Resources Committee
17. Through the business planning process, Departments could make the case for plans to introduce a more fundamental transformation initiative, that whilst delaying the achievement of the continuous improvement target in earlier years, would over a longer time period introduce more significant improvement and efficiency savings that would exceed the cumulative continuous improvement target. It is envisaged these proposals would be considered through the 2018/19 business planning and budget setting process, be considered by Summit Group and approved by Finance and Policy and Resources Committee after considering the impact of proposals across the three City Funds.
18. Continuous improvement savings generated from Departmental budget reductions will be used to pursue new initiatives or meet corporately determined funding pressures, informed by the latest medium financial position. Departmental proposals for the use of continuous improvement savings on new

initiatives will only be allowed up to a maximum threshold (set at the continuous improvement savings already delivered by the department). The merit of proposals will be considered centrally prior to recommendations being made to Members through the Resource Allocation Sub-Committee.

Peer Review

A rolling programme of departmental peer reviews to help identify more radical effectiveness and efficiency improvements, most likely to impact from 2018-19 onwards (but with pilots starting in earlier years).

19. It is proposed that every Chief Officer undertakes an Efficiency and Effectiveness Peer review of another Department with an initial pilot being undertaken to test and learn from the approach adopted from January 2017. A subsequent Peer Review programme would be developed for 2017/18. The planning and outcomes from these peer reviews would then feed into the business planning and budget setting cycle from 2018/19 and subsequent years.
20. The expectation would be of a collaborative approach with the Chief Officer of the reviewed department suggesting 2 or 3 focus areas for the review rather than the whole operation. It is not envisaged that the reviewing Chief Officer would need expert experience in the Department being reviewed, but would bring a facilitative and external perspective. Potentially this would involve a 2-3 hour workshop, supported by preparation interviews and some additional external resources, possibly drawing down on the Mazars' internal audit contract or other external expert, being applied to help frame the lines of enquiry.
21. External perspectives are considered to be essential in reviewing existing service delivery models. External Inspection agencies such as Ofsted and HMIC have a role to play by providing challenge and insight to existing service provision and validation on plans to improve efficiency and effectiveness.

Cross-Cutting Efficiency and Performance Improvement Reviews

Further cross cutting reviews, including prevention/demand management, when the current reviews have been implemented.

22. The Efficiency and Sustainability plan indicated that further cross cutting theme reviews, which would build on the successful approach in the current cross-cutting SBR reviews would be considered. The initial priority would be to implement the current reviews, but then potential areas to consider include:
 - Prevention/ Demand Management – City of London Police
 - Digital by choice
23. Other cross-cutting subjects areas will be informed by external speakers on continuous improvement, continuing research on potential areas, peer review and benchmarking with other organisations, including Member input. Proposals will be progressed where there is a clear outcome, opportunities to achieve financial and non-financial benefits, and the review is clearly aligned with the Corporate Plan. These reviews will need to be resourced properly, and are not expected to

commence until 2018/19, when there is expected to be more organisation capacity.

Member Engagement

24. Service Committees would need to be engaged in relation to specific improvement proposals for their areas of responsibility through the normal member engagement process for Departmental business planning and budget setting. Where Peer Reviews identify improvement areas these would be fed into the Departmental Business plans.
25. It is envisaged that Efficiency & Performance sub-Committee would be provided a summary analysis of the continuous improvement initiatives identified by departments in their business planning. Chief Officers would be then be invited to provide updates to the EPSC prioritised initially on the basis of areas of best practice followed by those Departments of the most significant size.
26. The delivery of continuous improvement initiatives will be clearly linked to the the broader questions over VFM and the demonstration to Service Committees on the outcomes being achieved for the level of resources provided to run services.

City of London Police

27. The City of London Police underlying financial position remains challenging despite progress made in recent years in reducing operating costs and improving efficiency. A further efficiency and change programme is being developed with the Chamberlain to ensure the Force is sustainable.
28. The Police Performance and Resource Management Sub Committee will oversee this programme. In addition it is proposed that the Efficiency and Performance Sub-Committee receive update reports on progress being made.

Next Steps

- Chief Officers to be invited to suggest key focus areas and timing for Peer Review of their Departments.
- Pilot Review Department to be confirmed and Peer Review approach developed in more detail
- Forward programme of Peer Reviews developed

Corporate & Strategic Implications

29. 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

30. The development of the Efficiency and Sustainability Plan for the City Corporation will provide a framework to consider how the City Corporation will continually review its priorities and operations and seek further 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

Background Papers

Efficiency and Sustainability Plan – Court of Common Council 13th October 2016

Paul Nagle

Head of Finance - Projects

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Agenda Item 8

Committees: Finance Committee – For Decision Efficiency and Performance Sub-Committee – For Information	Dates: 15 November 2016 30 November 2016
Subject: The establishment of a Procurement Invest to Save Fund	Public
Report of: The Chamberlain	For Information
Report Author: Chris Bell, Chamberlain’s Department	

Summary

City Procurement has identified a number of continuous improvement projects to support its strategy over the forthcoming years that will require initial investment. It is proposed to establish a Procurement Invest to Save Fund using a percentage of the annual savings generated to allow funding bids on a case-by-case basis to be progressed. The new fund will be managed by the Efficiency and Performance Sub Committee (EPSC) with funding decisions delegated to Strategic Resources Group in consultation with the Chairman and Deputy Chairman of EPSC. Summary details of the new fund:

- The fund will be established effective from 1st December 2016.
- The fund will have an annual cap of £250k per annum.
- Funding is through contributions from the Finance Committee of 25% of the savings generated by City Procurement activity that results in budget adjustments (cashable in year savings) recovering money back to the Corporate centre.
- The fund will be held centrally with contributions apportioned between the three main Funds (City Fund, City’s Cash and Bridge House Estates), pro rata to the cost of City Procurement to each Fund.
- The fund is strictly to support investment in procurement projects that generate a return on investment and support sustainable efficiencies and savings.
- There will be a minimum threshold set for net efficiencies/savings of 5%, to be achieved over a maximum five-year period.
- Funding bids will be submitted to Strategic Resources Group for decision, in consultation with the Chairman and Deputy Chairman of EPSC. Bids will be supported by a business case and target savings to be achieved on a case-by-case basis.
- Quarterly reports on progress of the projects funded by the Invest to Save Fund will be submitted to EPSC, with annual reports to Finance Committee.

Recommendations

The **Finance Committee** is recommended to:

- a) Approve the establishment of the Procurement Invest to Save Fund, effective from 1st December 2016.
- b) Agree that decision making on funding bids be delegated to the Strategic Resources Group, in consultation with Chairman and Deputy Chairman of EPSC

- c) Note the mechanism of how contributions to the fund will be managed.

The **Efficiency and Performance Sub-Committee** is recommended to note the report.

Main Report

Background

1. The City Procurement Corporate function has now been operational since October 2014. During this period, the service has seen continuous growth in terms of service levels, performance metrics, customer satisfaction, and efficiencies and savings delivered.
2. The growth is in line with the aspirations of the three-year Corporate Procurement Strategy, which was published in 2015. Underpinning this strategy is a Continuous Improvement Programme, which breaks down all interventions and projects that are component parts in delivery of the strategic aims of Operational Excellence, Value for Money, Innovation and Technology and Responsible Procurement.
3. The initial strategic focus during 2015/2016 was on Operational Excellence and saw mainly internal efficiencies introduced. This was through a recruitment strategy focused on hiring procurement and commercial professionals, a focus on performance management, redefined processes and procedures, stakeholder engagement and an emphasis on learning and development.
4. As the service is now 24 months old, some of the future improvements ideas require some investment to allow further sustainable efficiencies and savings to be achievable. Some examples of these could include:
 - a. The introduction of a Fast Payment Discount Scheme where our major suppliers discount our invoices in return for faster payments than our 30 days contractual terms. The investment would be in a delivery partner and software to operate such a scheme.
 - b. The introduction of powerful spend analytic tools that easily identify new savings opportunities, identify duplicate payments, and enhance our resilience against non-compliance and fraudulent activities.
 - c. The potential to invest in one-off specialist project resource to enhance procurement strategies and/or savings and efficiency potential. A live example of this has been the fixed term hire of a facilities management specialist to work on the new Building Repairs and Maintenance procurement; this has added significant value to the process. On this occasion, this resource cost was met through City Procurement's local risk staffing budget at the expense of a full time Category Manager role.

Proposed Procurement Invest to Save Fund

5. It is recommended to establish a Procurement Invest to Save Fund using a percentage of the annual savings generated to allow funding bids on a case-

by-case basis to be met. The Fund would be established with an annual cap of £250k per annum and funded by taking 25% of savings generated by City Procurement that involve in-year budget adjustments (cashable in-year savings) coming back to the Corporate centre. We propose the fund commences from 1st December 2016 to accept bids in the remainder of the 2016/2017 financial year to allow additional efficiencies and savings to be achievable from 2017/2018 onwards.

6. Each of the City's three main Funds (City Fund, City's Cash and Bridge House Estates) would make contributions. The Fund is strictly to support investment in procurement projects that generate a return on investment and support sustainable efficiencies and savings. Each bid would be supported by a business case outlining the intervention and the targeted efficiency or saving amount that will be generated in future financial years due to the investment.

Governance and Decision Making

7. It is proposed that EPSC manage the new fund. To allow timely decisions to be made, we would recommend the decision to fund individual project bids be delegated to the Strategic Resources Group, chaired by the Chamberlain, in consultation with the Chairman/Deputy Chairman of EPSC. A report will be submitted on a quarterly basis to EPSC (and annually to Finance Committee) highlighting the projects that have been invested in and their performance in generating new efficiencies and savings.

Financial Management of the proposed Fund

8. The total amount of the contribution to the Fund would be based on the in-year budget adjustment savings achieved. However, the contribution would be apportioned between the three main Funds, pro rata to the cost of City Procurement to each of the Funds, rather than where the specific savings were achieved. The fund would be held centrally in the Chamberlain's Guildhall Administration budget, given that spend will be of a corporate change nature. An illustrative example of how it will work in practice is at Appendix 1.
9. It is proposed that any uncommitted monies held in the fund at year-end be carried forward to the new financial year as procurement activities typically do not generate savings in quarter 1, therefore funding of new projects could be stalled if not carried forward.

Conclusion

10. City Procurement has identified a number of continuous improvement projects to support its strategy over the forthcoming years that will require initial investment. It is proposed to establish a Procurement Invest to Save Fund using a percentage of the annual savings generated to allow funding bids on a case-by-case basis to be met. The new fund will be managed by EPSC, with funding decision delegated to Strategic Resources Group, in consultation with the Chairman and Deputy Chairman of EPSC. The fund would have an annual cap of £250k per annum. It is proposed the fund be established from 1st December 2016 to accept bids in the remainder of the 2016/2017 financial

year to allow additional efficiencies and savings (beyond existing SBR and Procurement targets) to be generated from 2017/2018 onwards.

Appendices

Appendix 1 – Illustrative example of the accounting treatment of fund contributions

Chris Bell

Commercial Director, Chamberlain's Department

Email: Christopher.bell@cityoflondon.gov.uk

Appendix 1

Illustrative Example

New (in year) cashable/budget impact savings retained centrally	£'000 350
Allocated to procurement funding (£) - say 25%	88

Budget Reductions would be made to the Service Committees where the savings are achieved

Budget Reductions by Fund to reflect where savings are achieved	£'000	
City Fund	(296)	85%
City's Cash	(54)	15%
BHE	0	0%
	(350)	100%

An amount equivalent to 25% (£88,000) of the saving would be contributed to the Procurement Fund. The contribution would be apportioned between the three main Funds pro rata to the cost of City Procurement to each of the Funds - as a proxy for the share of the benefit to each of the Funds from the potential improvement projects.

Contributions to Procurement Fund based on cost of City Procurement to each of the three main Funds	£'000	
City Fund	53	60%
City's Cash	32	36%
BHE	3	3%
	88	100%

Summary of Budget Adjustments	Savings £'000	Procurement Fund £'000	Total £'000
City Fund	(296)	53	(243)
City's Cash	(54)	32	(22)
BHE	0	3	3
Guildhall Admin.	0	(88)	(88)
Total	(350)	0	(350)

Use of Procurement Fund

The above budget adjustments produce an income budget of £88,000 in Guildhall Administration to be used to fund procurement improvement projects of a corporate nature

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Efficiency and Performance Sub-Committee - Work Programme

Meeting:	30/11/16	11/1/17	19/1/17	17/5/17	5/7/17	26/9/17
a) Value for Money and continuous improvement						
	<p>Efficiency Plan - Report setting out internal proposals (Caroline)</p> <p>Departmental Business Planning Process (Kate), including information regarding the Staff Suggestion Scheme (Bob Roberts)</p>	<p>CIPFA Benchmarking (Finance, HR and Legal)</p> <p>Commercial Opportunities (Chris Bell)</p> <p>Further reports relating to continuous improvement through Departmental Business Planning will be provided following consideration of the report at this meeting.</p>	N/A (Joint meeting with RA Sub)	<p>Further reports relating to continuous improvement through Departmental Business Planning will be provided following consideration of the report at this meeting.</p>	<p>Further reports relating to continuous improvement through Departmental Business Planning will be provided following consideration of the report at this meeting.</p>	<p>Further reports relating to continuous improvement through Departmental Business Planning will be provided following consideration of the report at this meeting.</p>
b) Resource Allocation						
Overall Financial Position and Medium Term Financial Planning (joint with RA Sub-Committee)	N/A (Joint meeting with RA Sub)	N/A (Joint meeting with RA Sub)	Joint meeting with the Resource Allocation Sub-Committee	N/A (Joint meeting with RA Sub)	N/A (Joint meeting with RA Sub)	N/A (Joint meeting with RA Sub)

Meeting:	30/11/16	11/1/17	19/1/17	17/5/17	5/7/17	26/9/17
c) and d) Service Based Review and Chief Officer Reviews						
Overall Monitoring Report	2016/17: quarter 2 (Neil and Paul)	2016/17: quarter 3	N/A (Joint meeting with RA Sub)	2016/17: quarter 4	2017/18: quarter 1	2017/18: quarter 2
Service Based Review Cross-Cutting Reviews		Strategic Asset Management Review - Quarterly update, including focus on Barbican Campus implementation (report will also go to CASC) Contract Management Review Update (Chris Bell)	N/A (Joint meeting with RA Sub)	Strategic Asset Management Review - Quarterly update		
Presentation of Departmental Service Based Review Savings and other initiatives	PA Consulting Report on the GSMD (Paul)	TBC (determined by status of each department) (likely to be Barbican Centre)	N/A (Joint meeting with RA Sub)	TBC (determined by status of each department)	TBC (determined by status of each department)	TBC (determined by status of each department)
e) Chamberlain's Departmental Business Plan (and related corporate initiatives)						
Chamberlain's Departmental Business Plan	This is currently monitored by the Finance Committee.		N/A (Joint meeting with RA Sub)	This is currently monitored by the Finance Committee.		

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