

Committee: Resource Allocation Sub-Committee	Date: 13 December 2012
Subject: Efficiency Savings	Public
Report of: The Chamberlain	For Information

### Summary

The inflation provision has been revised to 1% in 2013/14 and 2% in 2014/15. At the same time an efficiency squeeze of 2%, phased over 2 years from 2013/14, has been introduced. In practice this means that Chief Officers need to manage budgets within a net 1% uplift over the next two financial years.

This report summarises how Chief Officers intend to make their efficiency savings.

Most departments are managing within these limits using a variety of measures which generally have limited impact on services.

However, there are three departments which have wider cost pressures and the measures they are using to manage these pressures are more substantial. These three departments are:

- Built Environment
- Markets and Consumer Protection
- Barbican Centre

The City Corporation is now several years into a policy of treating most services equally when local risk budgets are set and so far, budgets and savings have generally been met without a disproportionate impact on services. However, if unavoidable cost pressures cannot be reasonably managed, the policy may need to be revised. It will certainly require close monitoring.

### **Recommendations**

Members are asked to note this report.

## Main Report

### **Background**

1. The City Fund and City's Cash forecasts as approved by the Court showed a deficit position by 2015/16 of £2.1m and £2.3m respectively. The original plan was to neutralise these deficits with savings earmarked from the PP2P programme, other savings identified from the overall

efficiency plan and any further savings as necessary. However Members instructed the Town Clerk and Chamberlain to address these deficits with an additional savings programme.

2. Accordingly the inflation provision has been revised to 1% in 2013/14 and 2% in 2014/15. At the same time an efficiency squeeze of 2%, phased over 2 years from 2013/14, has been introduced. In practice this means that Chief Officers need to manage budgets within a net 1% uplift over the next two financial years. This uplift needs to cover the cost of any pay awards, as may be agreed and any other inflationary pressures. Inevitably this means Chief Officers need to make savings to keep costs within budget.
3. This report provides a broad overview of how Chief Officers are intending to make the necessary savings and assesses the impact on services. The report also highlights where departments are experiencing wider cost pressures and sets out the measures being taken.
4. The Guildhall School of Music and Drama will receive uplifts for pay and price of 1% and 2% for 2013/14 and 2014/15 respectively, but will not be required to find the efficiency savings due to the particularly difficult financial situation being addressed at the school. A separate paper on the financial strategy at the School is being presented to your Committee at this meeting.
5. The three schools are also exempt from the exercise. The Police Committee budget is also exempt, managing its budget in accordance with changes in police funding and making its savings through the City First programme.

### **Savings Proposals**

6. Most Chief Officers are choosing to manage the overall cash position within 1% uplift over the two years. Appendix 1 indicates whether departments are choosing to apply the uplift in 2013/14 or in 2014/15.
  - a. **Chamberlain**- the intention is to take the 1% uplift in 2013/14 and make the 2% efficiency savings (£382,000) in 2014/15. The savings will be achieved by reductions in staffing costs and supplies and services.
  - b. **City Surveyor**- as the department is undergoing significant change, with the implementation of the new consolidated repairs and maintenance contract and the introduction of the new corporate operating model for facilities management, it seems prudent to take the 1% uplift in 2013/14 and make the bulk of the 2% efficiency savings (£440,000) in 2014/15. At present, a small

efficiency saving on the City Marketing Suite of £48,000 has been achieved in 2013/14 but the remainder of the 2% savings will be made in 2014/15 through a combination of staffing savings and other operating costs for the department, together with increased income through greater recovery of fees and reduction in tenant voids.

- c. **Comptroller and City Solicitor** – 2% efficiency savings across the period equate to £62,000. The savings are planned to be achieved across the two years, with the department forgoing the inflation uplift in 2013/14 and taking the 2% uplift in 2014/15. The 1% savings in 2014/15 of £31,000 are being achieved through a combination of staffing savings and supplies and services costs.
- d. **Children and Community Services**- 2% efficiency savings across the period equate to £102,000. The savings are planned to be achieved across the two years, with the department effectively taking the 1% uplift in 2014/15. A full zero based budget exercise was carried out. The 1% savings (£56,000) required in 2014/15 have been found across the whole range of activities.
- e. **Culture Heritage and Libraries**- The department intends to spread the 2% efficiency savings (£186,000) across the period, taking the 1% uplift in 2013/14 and the 2% uplift in 2014/15. The bulk of the £93,000 savings per annum will be made from a reduction of £60,000 in staff costs made up of 1.6 FTE posts and some agency costs across libraries and the London Metropolitan Archives.
- f. **Open Spaces**- A full zero based budget exercise was carried out. The department intends to spread the efficiency savings (£206,000) across the two years. The £103,000 savings per annum, together with the remaining £159,000 from the 10% savings, will be found across staffing costs, transport and supplies and services together with increased income.
- g. **Private Secretary to the Lord Mayor**- The majority of the 2% savings (£52,000) is being met across the two years at £26,000 per annum from sustainable additional income from lettings at Mansion House. The increased income is a combination of higher charges and additional lettings. To provide a measure of additional control on staffing costs, any new contracts are generally being offered for a fixed one year term at the current time.
- h. **Remembrancer** – 2% efficiency savings across the period equate to £14,000. The savings are planned to be achieved across the two years, with the department forgoing the inflation uplift in in

2013/14 and taking the 2% uplift in 2014/15. Supplies and services budgets are being reduced in the 'Ceremonial' cost centre to achieve the required £7,000 in 2014/15.

- i. **Town Clerk-** 2% efficiency savings across the period equate to £312,000. The bulk of the savings are planned to be achieved across the two years, with the department forgoing the inflation uplift in 2013/14 and taking the 2% uplift in 2014/15. The 2014/15 savings of £156,000 are being made from various non-staffing budgets, mainly supplies and services, across the Town Clerk's wide portfolio of service.
7. There are three departments however that are experiencing wider cost pressures and face challenges in reaching a balanced budget in 2013/14 or 2014/15. The three departments are Built Environment, Markets and Consumer Protection and the Barbican Centre. The measures being taken and the resulting challenges to achieving a balanced budget are highlighted below. Also highlighted are any risks to service provision as a result of cost savings.

### **Built Environment**

8. The intent is to achieve the first 1% of the savings (£178,000) by foregoing the 1% inflation uplift in 2013/14, effectively freezing net expenditure. However, there are significant underlying cost pressures in Built Environment due to changes in Building Control, equal pay legislation affecting agency workers and inflationary pressures on contracts. The implementation of an increase in planning application charges of 15% on 22 November 2012 has helped to meet the resource gap, but reductions need to be made to balance the budget. These reductions are targeted in the following areas:
- £30,000 reduction in overtime for Cleansing & Waste Management areas – this will reduce the flexibility of the service to respond as flexibly as it is currently able to address additional pressures.
  - £30,000 reduction in Training budgets – limited impact as headroom in the budget identified from underspends in the current and previous financial year.
  - Not retaining the additional administrative post to deal with increased level of FOI activity, funded from carry-forward budget this financial year. As there is a target of responding to all FOIs within 20 days, this reduction will need careful monitoring. The City Corporation could be subject to further investigation by the Information Commissioner if this impacts on the City Corporation's overall response rate being below 80% response within 20 days.

- Holding Building Control posts vacant due to reduction in business activity- no current impact.
  - Various other supplies & services budget reductions with limited impact.
9. By 2014/15, the cost pressures lead to an estimated budget shortfall. More work needs to be done, but these pressures could amount to as much as £1.2m from:
- the continuing reduction in Building Control income of £182,000 due to changes in government legislation and the economic downturn;
  - equal pay legislation affecting agency workers requiring an increase in employee resources of £147,000;
  - inflationary pressures on contracts, e.g. MRS Enterprise contract £150,000; and
  - revenue funding of the Highways Asset Management System (HYMS) of £200,000 to £300,000.
10. The department is taking the following measures to address the budget shortfall of £1.2m in 2014/15:
- A review of the building control service.
  - Review the car park strategy; the overall loss on car parks to local risk is currently just over £80,000.
  - Proposal to introduce barriers and charging at two additional public convenience sites agreed at Port Health Committee (subject to capital funding of barriers and associated equipment). The intention is to generate additional income to contribute to increased agency staffing costs. All subject to appropriate Gateway approvals.
11. A report will be produced early in 2013 to address the estimated budget shortfall. Adjustments may be requested to the local risk budget to address unavoidable cost pressures.

### **Markets & Consumer Protection**

12. The intent is to make the first 1% of the savings (£60,000) by foregoing the 1% inflation uplift in 2013/14. However, with reductions in Port income, the 2013/14 budget estimates currently include unidentified savings of £250,000. The department may need to utilise the Products of Animal Origin Reserve which was set up to cover fluctuations in port trade. A review of the Port Service is being conducted before calls on the Reserve are proposed. Also, costs of providing inspection services at the new Thames Gateway Port, currently under construction, will need to be assessed.

## **Barbican**

13. The Barbican is taking the inflation uplifts each year and spreading the 2% efficiency saving (£298,000) across 2013/14 and 2014/15. In effect therefore taking the uplift in 2014/15. At this stage there is still a £470,000 target to meet a balanced budget for 2013/14, which will be achieved by February 2013, through cost reductions across all areas.
14. The Barbican is a semi-commercial department, with £17m of 2013/14 income coming from operations and £16m from the City. Substantial cost savings have been made in recent years and the focus now is on maintaining the level and quality of artistic activity, supported by increased trading income from both artistic and commercial sources. Commercial income increases from £7.9m in 2011/12 to £9.1m in 2013/14, in line with its business plan.
15. Two main efficiency initiatives are planned for 2013/14, which are intended to deliver the efficiency savings required:
  - a. A review of front of house operations, examining quality, consistency and value for money
  - b. A review of pricing, examining how to increase box office income from artistic activity.
16. For the other departments, exercises have been carried out to establish where the savings be made as summarised below. No significant risks to operations have been identified as a result of the reductions.

## **Conclusion**

17. Overall, the required efficiency savings are deliverable however there are pressure points in three departments. The financial impacts are such that for Built Environment it is likely that a request for budget adjustments may need to be made; that may also be the case for Markets and Consumer Protection. However the Barbican Centre is intending to make necessary efficiency savings within the funding levels.
18. The Corporation is now several years in to a policy of treating most services equally when local risk budgets are set and so far, budgets and savings have generally been met without a disproportionate impact on services. It may be though that, as this policy continues this may need to be revised and it will certainly require close monitoring.

## **Appendices**

Appendix 1: 1% of net local risk budgets analysis

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**1% of 2012/13 Net Local Risk Budgets (see notes 1 and 2)**

1% Net Increase		Chief Officer	City Fund £000	City's Cash £000	BHE £000	GA £000	Total £000
2013/14	2014/15						
		<b>Director of the Built Environment</b>					
	✓	Planning and Transportation	99	0	2	0	101
	✓	Environmental Services	75	0	0	0	75
	✓	Open Spaces	2	0	0	0	2
		<b>Chamberlain</b>					
	✓	Finance	23	2	0	166	191
		<b>City Surveyor</b>					
	✓	Property Investment Board	19	108	20	0	147
	✓	Culture, Heritage and Libraries	0	1	0	0	1
	✓	Policy and Resources	0	0	0	72	72
		<b>Comptroller and City Solicitor</b>					
	✓	Establishment	0	0	0	31	31
		<b>Director of Community and Children's Services</b>					
	✓	Barbican Residential	(24)	0	0	0	(24)
	✓	Community and Children's Services	80	0	0	0	80
		<b>Director of Culture, Heritage and Libraries</b>					
	✓	Culture, Heritage and Libraries	84	(1)	(5)	0	78
	✓	Planning and Transportation	0	0	15	0	15
		<b>Director of Markets and Consumer Protection</b>					
	✓	Licensing	(2)	0	0	0	(2)
	✓	Port Health and Environmental Services	26	3	0	0	29
	✓	Markets	0	33	0	0	33
		<b>Director of Open Spaces</b>					
	✓	Open Spaces	10	108	0	0	118
	✓	Port Health and Environmental Services	(15)	0	0	0	(15)
		<b>Managing Director, Barbican Centre</b>					
	✓	Barbican Centre	149	0	0	0	149
		<b>Principal, Guildhall School of Music and Drama</b>					
note 3	note 3	Board of Governors	0	51	0	0	51
		<b>Private Secretary to the Lord Mayor</b>					
	✓	General Purposes Committee of Aldermen	0	24	0	0	24
	✓	Policy and Resources	0	2	0	0	2
		<b>Remembrancer</b>					
	✓	Policy and Resources	0	10	0	(3)	7
		<b>Town Clerk</b>					
	✓	Policy and Resources	74	6	0	0	80
	✓	General Purposes Committee of Aldermen	0	2	0	0	2
	✓	The City Bridge Trust	0	0	8	0	8
	✓	Establishment	0	0	0	66	66
		<b>Total</b>	600	349	40	332	1,321
		<b>Re-apportion Guildhall Administration</b>	173	139	20	(332)	0
		<b>Total</b>	773	488	60	0	1,321

Notes

1. As the IS Internal Trading arrangements ended on 31 March 2012, the 1% of net local risk budgets has been calculated after deducting IS Trading costs.

2. The figures in the table are 1% of net local risk budgets and therefore if a service is a net credit, the 1% will similarly be a credit - shown in brackets. However, if the figures are to be used to calculate savings the brackets should be ignored. For example, the £24,000 credit shown for the Barbican Estate is 1% of a net local risk budget of £2.4m. To achieve 2% savings the budget would need to increase to a net credit of £2.448m.

3. The Guildhall School of Music and Drama will receive the uplifts for pay and prices of 1% and 2% for 2013/14 and 2014/15 respectively but will not be required to find the efficiency savings due to the particularly difficult financial situation being addressed at the School.