

Committee(s)	Dated:
Efficiency and Performance Sub-Committee Resource Allocation Sub-Committee Finance Committee	6 th July 2016 7 th July 2016 19 th July 2016
Subject: Efficiency Plan	Public
Report of: Chamberlain	For Decision
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.

As there are few detailed requirements, this paper recommends that we set in train plans to publish a plan by the October deadline and sets out a possible 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.

Recommendations

Members are asked to:

- Note the proposal to develop a published Efficiency Plan – which would draw on the work outlined below - with view to seeking agreement and publishing by October 2016.
- Comment on the proposed 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, from 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.

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. (see Appendix 1.) This is a very helpful move and one local government has been campaigning for, as it provides more certainty and ability to plan changes over the medium-term. It should be recognised that minimum funding commitment relates to Revenue Support Grant which is a reducing part of the City's overall funding (2016/17 £10.6m projected to reduce to £6.2m in 2019/20) and only relevant to the City Fund. 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.

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 therefore plan to proceed 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. Although City of London non-policing budgets are currently forecast to be in surplus over the medium term (on the assumption that SBR savings are delivered), the public finances have deteriorated since the 2015 Autumn Statement and there is no guarantee that the Treasury will not re-open the overall funding position of non-protected departments such as DCLG in 2018/19 and 2019/20.
4. The Corporation therefore needs to take steps now to manage this external financial risk. We also need to recognise that any organisation should be expecting to deliver 2-3% annual continuous savings as a result of being smarter in the way that business as usual activity is conducted. This is consistent with the specific duty on local authorities to secure best value or value for money in the use of public money and resources. We also have a number of financial pressures which are not currently factored into the medium term financial plan. Although non-City Fund services are not formally covered by the DCLG requirements, it is proposed that the Plan should apply to all public facing non-police services. Separate discussions are taking place with the Commissioner on efficiency planning within the City of London Police.
5. To sum up, developing an Efficiency Plan, which builds on the SBR savings, should enable us to:
 - respond to possible future funding gaps / risks
 - reduce the bow wave of deferred maintenance works on our operational property
 - support new priorities/pressures – e.g. cultural hub, housing, education, work generated by the outcome of the referendum vote

Options for progressing efficiency plan

6. The approach to the plan should draw on the lessons from the Service Based Review process and current workload pressures on departments.

7. The proposed framework contains three layers:

- i. **Light-touch across the board continuous improvement budget efficiency saving** of 2 to 3% per year across all Department Budgets, based on a benchmark across many other organisations.

In this approach savings are simply removed from budgets year-on-year, with Chief Officers and their Departmental Management Team given the full responsibility to formulate the efficiency and performance improvements. This approach would have the key benefit of being light touch which is important, given current pressure on departmental resources from the transformation agenda. Departments should be able to identify savings as part of business as usual.

Allowances for pay and prices have been factored into the 2016/17 budgets at 1.5% and thereafter at 1% per annum for the years 2017/18 to 2019/20. On City Fund each 1% is approximately £850k and for City's Cash each 1% is approximately £600k. These uplifts could be removed, so effectively budgets become cash limited with a further 1-2% reduction applied.

An **incentive** element could be adopted, in which a share of the savings could be re-invested in new priorities (supported by a business case) in the subsequent year as part of a revised carry-forward process.

Ring fencing could also be considered for certain/limited number of priority services but ring-fencing at a national level has reduced the incentive for areas such as health to identify efficiencies.

- ii. **Chief Officer Peer Efficiency and Effectiveness Reviews** – each Chief Officer peer reviews – in a collaborative way - another department with the objective of identifying proposals for more transformational efficiency and effectiveness improvements. The Peer Review would focus on 2 or 3 key areas agreed with the Chief Officer rather than the whole operation. The model for the Reviews would be piloted in 2016/17 with the remainder in 2017/18, in time to feed into budget setting for 2018/19 and beyond. These peer reviews would assist in the generation of more transformational/long-term change options, concentrating on effectiveness and different ways of delivering services.

- iii. **Cross cutting theme reviews**, which would build on the successful approach in the current cross-cutting SBR reviews. The initial priority is to implement the current reviews, but then potential areas to consider include:

- Prevention/ Demand Management
- Digital by choice

These are particularly valuable where there is a clear outcome with opportunities to achieve financial and non-financial benefits. However, these have to be resourced properly so would need to consider

commencing these reviews in 2018/19, when there is expected to be more organisational capacity.

8. A range of tools can be applied in undertaking efficiency and effectiveness reviews. Process value chain analysis which reviews activities and transactions sometimes across Departments with the aim of identifying opportunities for making savings from redundant, duplicated and inefficient processing could be usefully applied. Consultancy support would be provided to review specific areas identified as most likely to benefit from this kind of analysis.

Other considerations

9. There are a number of further parameters which need to be considered.
10. **Timing of savings:** the primary focus of the Plan will be on additional savings from 2018/19 but we may wish to apply the across the board saving by removing the pay and prices projected allowance of 1% in 2017/18 (as the majority of SBR savings will have been delivered by then) and incentivise the bringing forward of further savings.
11. **Member engagement** – The draft published Efficiency Plan will be provided to Policy and Resources Committee and Finance Committee in September and for final approval to the Court of Common Council in October. Service Committees would need to be engaged in relation to specific proposals for their areas of responsibility through the normal member engagement process for Departmental business planning and budget setting. The member breakfast briefing session on Finance arranged for the 7th July will include a discussion on the development of the Efficiency Plan.
12. **Communication-** As identified from the lessons learned from the SBR Review process we need to be clear about the messages we are giving from the beginning, ensuring the messages are appropriate and timely for different audiences Members, Staff, Public and the Communities we serve and are delivered effectively. There is the potential, for example, for conflicting messages when spending more on big capital projects whilst making savings in other areas. Messages should be carefully worded that link to transformation, service improvement and prioritisation, rather than overly focusing on savings.
13. **Incentivisation** – 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. The exact mechanisms would need to be developed and linked to the existing carry-forward arrangements. However where departments are able to identify savings prior to 2018/19, when the next set of departmental savings targets are envisaged as applying from, they could be given the potential to retain 75% of the savings in the subsequent years. Future departmental savings incentivisation is envisaged at 50% beyond 2018/19.
14. A consideration in the application of these incentives will be whether Departments have made savings in 2017/18 from reducing the level of service

provided or through the adoption of more transformational and efficient working methods. Incentivisation is much more likely to be applied where Departments can demonstrate a strong transformation approach being adopted on earlier year savings programmes.

- 15. Prioritisation of resources to new areas** – Where efficiency savings provide resources corporately to pursue new initiatives, the merit of proposals will be considered by the Chief Officer Summit Group prior to recommendations being made to Members through the Resource Allocation Sub-Committee.

Publishing an Efficiency Plan

16. It is proposed to develop an Efficiency Plan for agreement by Chief Officers by July 2016, with Member agreement sought via Finance Committee, Policy & Resources Committee in September 2016. This will be a high level plan, focusing on the existing Service Based Review programme and other agreed transformation initiatives, along with the framework that has been adopted for continuous efficiency improvement for 2017/18 and later years. It would not be used to set out specific details of individual efficiency initiatives.

Corporate & Strategic Implications

17. 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

18. The development of the Efficiency 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. There are a number of options for pursuing and achieving continuous efficiency improvement for which views on the most desirable and effective approaches are sought.

Appendices

1. Multi-Year Settlements and Efficiency Plans – letter from DCLG 10 March 2016
2. Efficiency Plan – Consultation and Approval Milestones

Background Papers

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

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