

ITEM 18(A)

Report – Finance Committee Publication of an Efficiency and Sustainability Plan

To be presented on Thursday, 13th October 2016

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

The Court of Common Council agreed at its 3 March 2016 meeting that an efficiency plan should be published, subject to an assessment of any detailed requirements set by the Department for Communities and Local Government (DCLG). No detailed requirements were set by DCLG.

During July, the Efficiency and Performance Sub-Committee, Finance Committee and Resource Allocation Sub-Committee were all consulted on the proposed efficiency framework and draft Efficiency and Sustainability Plan. A final proposed version of the Efficiency Plan was considered and approved by your Finance Committee on 20 September 2016 and will also be considered for approval by your Policy and Resources Committee on 6 October 2016.

The Efficiency and Sustainability Plan (set out at Appendix 1) must be published by 14 October 2016. This report has, therefore, been submitted to the Court prior to a decision being taken by the Policy and Resources Committee and any material comments made at that Committee will be reported orally to the Court.

The Efficiency and Sustainability Plan is intended to be a high-level document which 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. In addition to this Plan, further internal plans for driving forward efficiency initiatives will be developed. Implementation of these plans will then be considered and monitored by your Finance Committee.

RECOMMENDATION

It is **recommended** that the Court approves the publication of the 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 14 October 2016.

2. The Court of Common Council agreed, at its 3 March 2016, meeting that an efficiency plan should be published, subject to an assessment of any detailed requirements set by the DCLG. Having undertaken this assessment, it is clear that there are no onerous conditions and, therefore, Officers proceeded with the production of an Efficiency Plan, which will cover the period through to 2019/20.
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 link through to sustainability and medium term financial strategy is a key context for the plans being developed by Local Authority bodies and, therefore, this has been reflected in the drafting and labelling of the plan.
4. Although the City of London Corporation's non-local authority services are not covered by the DCLG requirements, it is intended that this plan will apply to all public-facing non-Police services. Separate discussions are taking place with the Commissioner of the City of London Police on the development of a further efficiency and change programme to ensure the Force is also sustainable.

Financial Context

5. For non-Police services, the Local Government Settlement, in autumn 2015, was challenging, but fell within the prudent assumptions included with the City of London Corporation'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 break-even by 2019/20. The economic outlook has, however, deteriorated since the announcement of the local government settlement and public finances have become more uncertain. Following the Brexit decision, there is also further uncertainty and it is too early to predict what the impact of this decision might be on public services.
6. The City of London Corporation, therefore, needs to take steps now to manage this external financial risk. We also need to recognise that any organisation should deliver annual continuous savings, as a result of being smarter in the way that "business as usual" is conducted; this is consistent with the specific duty on local authorities to secure best value in the use of public money and resources. We also face a number of financial pressures including a backlog of deferred cyclical maintenance on our operational properties and a need to significantly invest in parts of our IT service which are not currently factored into the medium term financial plan.

Efficiency Plan Framework

7. The Plan sets out a framework, incorporating 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% per annum 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 starting from 2018-19 onwards (but with pilots starting in earlier years).
- Further cross-cutting reviews, including looking at opportunities to manage more effectively customer demand for services, when the current reviews have been implemented.

8. The approach to the plan has drawn on the lessons from the Service Based Review (SBR) process and current workload pressures on departments.
9. 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, and
 - support new priorities/pressures – e.g. cultural hub, housing, education, work generated by the outcome of the referendum vote.

Publishing an Efficiency Plan

10. This high-level efficiency 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. It does not set out specific details of new individual efficiency initiatives.
11. Detailed internal plans for driving forward efficiency initiatives will be developed, then considered and monitored by your Finance Committee.

Corporate & Strategic Implications

12. 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

13. The development of the Efficiency and Sustainability Plan for the City of London Corporation will provide a framework to consider how the City of London Corporation will continually review its priorities and operations and seek further efficiency and performance improvements. Savings made as a consequence of further efficiency initiatives, could then be applied to addressing funding gaps, enhancing services, and pursuing new priorities.
14. All of which we submit to the judgement of this Honourable Court.

DATED this 20th day of September 2016.

SIGNED on behalf of the Committee.

Jeremy Mayhew
Chairman, Finance Committee