

Committee: Efficiency and Performance Sub-Committee	Date: 30 November 2016
Subject: Efficiency and Sustainability Plan – Next steps	Public
Report of: Chamberlain	For Information
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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

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