

<b>Committee:</b>	<b>Date:</b>
Efficiency and Performance Sub-Committee	17 May 2017
<b>Subject:</b>	<b>Public</b>
Efficiency and Sustainability Plan – Update Report	<b>For Information</b>
<b>Report of:</b>	
Chamberlain	
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## Summary

This report provides new Members as well as continuing Members of the Efficiency and Performance Sub-Committee with a reminder of the key principles agreed within the Efficiency and Sustainability Plan and the activities and milestones to support the implementation of the plan.

The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13<sup>th</sup> October 2016. This Plan needs to be viewed in the context of the overall Medium Term Financial Strategy to have a five year plan with sufficient cashable savings to present a balanced budget for all funds and adopting an investment approach utilising the headroom to invest in one-off projects such as the Museum of London relocation project and 'bow wave' list of outstanding repairs.

A separate update report on the Service Based Review programme is on the agenda. This programme will complete in 2018/19 with the majority of the savings now delivered through adjustments to Departmental Budgets at the beginning of the 2017/18 fiscal year.

The forward-looking part of the Efficiency and Sustainability Plan sets out a framework that incorporates continuous improvement savings, with a rolling programme of Chief Officer peer reviews to help secure more radical changes in efficiency and effectiveness, alongside a limited number of cross-cutting reviews

The medium term financial strategy agreed by Members in January 2017 incorporates a 2% budget reduction for City's Cash and City Fund from 2018/19. Departments are now developing their proposals to manage services within these tighter budgets, and will identify how service objectives will be delivered within available resources through business planning for 2018/19 and subsequent years.

The principles of how the Chief Officer Peer Review programme is anticipated to work have been reviewed and developed as part of the preparation of the pilot reviews. This has involved consulting with Chief Officers to ensure the approach adopted provides optimum value. An external executive performance coach is assisting with developing the approach and will help facilitate workshops or 'action set' sessions.

The Chief Officer Peer Review is intended to explore:

- The practicalities of how Chief Officers and service committees will deliver the 2% efficiency savings year on year;
- Ways of securing greater value for money; and

- Better alignment of activities to the outcomes in the corporate business plan, including cross departmental working on the 'big issues' for the Corporation and London e.g. air quality

The first 'action set' pilot will start in June 2017 with the intention of completing the Peer Review by March 2018. However, it is likely that the approach will be refined following the pilot; and a detailed timetable and model for delivery of the Peer Review will be established at that stage.

The high level milestone plan for the implementation of the Efficiency and Sustainability Plan is at **Appendix 1**.

### **Recommendation**

Members are recommended to note the report

### **Main Report**

#### **Background**

1. The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13<sup>th</sup> October 2016. The Efficiency and Sustainability Plan focuses on the existing Service Based Review (SBR) 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. The SBR programme will complete in 2018/19 with the majority of the savings now delivered through adjustments to Departmental Budgets at the beginning of the 2017/18 fiscal year.
2. The forward-looking part of the Efficiency and Sustainability Plan sets out a framework that incorporates continuous improvement savings, with a rolling programme of Chief Officer 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 2% from 2018-19, with an incentive element adopted - in which a share of any savings above 2% could be re-invested in new priorities in the subsequent year as part of a revised carry-forward process.
  - A rolling programme of Chief Officer 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 SBR reviews have been implemented.

#### **Efficiency and Sustainability Plan context within the overall Financial Position**

3. The Efficiency and Sustainability Plan needs to be viewed in the context of the overall Medium Term Financial Strategy to have a five year plan with sufficient cashable savings to present a balanced budget for all four funds and adopting an

investment approach utilising the headroom to invest in one-off projects such as the Museum of London relocation project and 'bow wave' list of outstanding repairs.

4. To assist with this context and messaging, a set of core messages on the City of London Corporation's Finances which were considered by the Committee at its February 2017 meeting are being used as a basis for briefing stakeholders, and supporting the Member Induction programme.
5. These messages will be communicated to all Members through inclusion as an annex in the next available Finance Reports to Service Committees.

### **Peer Reviews**

6. The Efficiency and Sustainability Plan set out the principle of a rolling programme of Chief Officer peer reviews to help identify more radical effectiveness and efficiency improvements, most likely to impact from 2018-19 onwards.
7. The peer reviews will be strategically focused on performance and effectiveness identifying areas where:-
  - There is potential for significant improvement in economy, efficiency and effectiveness.
  - Significant opportunity exists for increased contributions to strategic priorities and outcomes with reference to the draft Corporate Plan outcomes.
  - Discuss how Chief Officers are going to achieve the 2% saving reductions and manage services within budgets with no inflation uplift.
8. Potentially these peer reviews will assist in helping identifying those activities that require realignment in order to deliver the ambitions stated in the emerging Corporate Plan, including cross departmental working on the 'big issues' for the Corporation and London e.g. air quality. Financial saving may occur as a result of the implementation of recommendations arising from these reviews; however financial savings will be consequential rather than the driver for this review activity. These reviews are to be kept relatively light touch and draw on models/approaches developed elsewhere.
9. The principles of how the Chief Officer Peer Review programme is anticipated to work have been reviewed and developed as part of the preparation of the pilot reviews. This has involved consulting with Chief Officers to ensure the approach adopted provides optimum value. An external executive performance coach is assisting with developing the approach and will help facilitate workshops or 'action set' sessions.
10. The first 'action set' pilot will start in June 2017 with the intention of completing the Peer Review by March 2018. However, it is likely that the approach will be refined following the pilot; and a detailed timetable and model for delivery of the Peer Review will be established at that stage.

### **The Implementation of a 2% Continuous Budget reduction from 2018/19**

11. The Efficiency and Sustainability Plan agreed the principle of an across the board light touch continuous improvement target reducing departmental budgets by 2% from 2018-19, with an incentive element adopted - in which a share of any savings above 2% could be re-invested in new priorities in the subsequent year as part of a revised carry-forward process.
12. The Medium Term Financial Strategy agreed by Members in January incorporates a 2% budget reduction for City's Cash and City Fund from 2018/19. There is no provision for an uplift in pay and prices from 2018/19, although specific budget increases are being proposed for a 3.5% increased employer contributions and an adjustment for the last assessment of the impact of the apprenticeship levy. Should service committees identify significant cost pressures in 2018/19 onwards, a business case should be submitted to the Chamberlain.
13. Departments are now developing their proposals to manage services within these tighter budgets, and will identify how service objectives will be delivered within available resources through business planning for 2018/19 and subsequent years.
14. The next steps for implementation of the budget reduction are set out in **Appendix 1** along with the timing of when any flexibility will be considered in terms of the application of the target to Departmental budgets from 2018/19.

#### **Identification of further cross-cutting reviews and Central Risk Budget reviews**

15. The next steps for undertaking a Central Risk budget review starting in May 2017 and identification of the next set of cross-cutting reviews are set out in **Appendix 1**.
16. The Central Risk budget review will focus on budgets held corporately that are not controlled in local risk, because of the difficulty for individual Chief Officers in forecasting expenditure. Corporate Departments will be subject to the same 2% budget reduction and peer review process as Service Departments and Institutional Departments.

#### **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 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**

Appendix 1 - Efficiency & Sustainability Plan – Milestones

**Background Papers**

Efficiency and Sustainability Plan – Court of Common Council 13<sup>th</sup> October 2016

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