



Efficiency and Performance Sub (Finance) Committee

Date: FRIDAY, 18 FEBRUARY 2022
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Deputy Jamie Ingham Clark
(Chairman)
Jeremy Mayhew (Deputy
Chairman)
Randall Anderson
Deputy Roger Chadwick
Henry Colthurst

James de Sausmarez
Alderman Professor Emma Ephem
Deputy Clare James
Paul Martinelli
Deputy Philip Woodhouse

Enquiries: John Cater
tel.no.: 020 7332 1407
john.cater@cityoflondon.gov.uk

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<https://youtu.be/xLuB3C3968I>

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John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 21st January 2022.

For Decision
(Pages 5 - 8)
4. **TOM FLIGHTPATH SAVINGS - YEAR END SUMMARY POSITION**
Report of the Chamberlain.

For Information
(Pages 9 - 24)
5. **COMPTROLLER & CITY SOLICITORS DEPARTMENT INTERNAL TRADING ACCOUNT EVALUATION AND PROPOSAL TO DELIVER UNIDENTIFIED SAVINGS**
Report of the Comptroller & City Solicitor.

For Decision
(Pages 25 - 34)
6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
8. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

9. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

To agree the non-public minutes of the meeting held on 21st January 2022.

For Decision
(Pages 35 - 40)

10. **CHIEF OPERATING OFFICER'S UPDATE**

Report of the Chief Operating Officer.

For Information

11. **DEPUTY TOWN CLERK'S FUNCTIONS UPDATE**

Oral Update of the Chief Operating Officer.

For Information

12. **CHAMBERLAIN'S DEPARTMENTAL DEEP DIVE**

Report of the Chamberlain.

To Follow.

For Information

13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Friday, 21 January 2022

Draft Minutes of the meeting of the Efficiency and Performance Sub (Finance)
Committee held virtually on Friday, 21 January 2022 at 1.45 pm

Present

Members:

Deputy Jamie Ingham Clark (Chairman)
Jeremy Mayhew (Deputy Chairman)
Randall Anderson
James de Sausmarez
Alderman Professor Emma Edhem
Paul Martinelli
Deputy Philip Woodhouse

Observers

Tijs Broeke
Ruby Sayed
Tom Sleigh

Officers:

John Cater	- Committee Clerk
Caroline Al-Beyerty	- Chamberlain's Department
Sonia Virdee	- Chamberlain's Department
Angela McLaren	- Commissioner, City of London Police
Andrew Carter	- Director of Community and Children's Services
Sandeep Dwesar	- Interim Managing Director - Barbican Centre
Will Gompertz	- Interim Managing Director – Barbican Centre
Ellie Ward	- Community and Children's Services Department
Alistair Cook	- Chamberlain's Department
Mark Jarvis	- Chamberlain's Department
Oliver Shaw	- City of London Police
Simon Latham	- Town Clerk's Department
Sarah Wall	- Chamberlain's Department

1. **APOLOGIES**

Apologies were received from Deputy Roger Chadwick and Henry Colthurst.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED - That the public minutes and non-public summary of the meeting held on 23rd November 2021 be agreed as an accurate record.

4. **SECURING 'FLIGHTPATH' SAVINGS AND UNDERSTANDING SERVICE IMPACTS: 2021/22 PROGRESS**

The Sub-Committee received an oral update of the Chamberlain concerning the Target Operating Model flightpath savings.

The Chamberlain informed Members that there had been a significant and welcome shift from temporary to permanent savings within departmental planning; however, there was still circa £2m of permanent savings, in toto, from across several departments which was still to be identified; a fuller Report with an update on these figures would be considered by Members at the 18th February Efficiency & Performance Sub-Committee meeting.

The Chamberlain circulated an up-to-date TOM Savings Table for information.

RESOLVED – That the Sub-Committee noted the Report.

5. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

6. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There were no items of urgent business.

7. **EXCLUSION OF THE PUBLIC**

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

8. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

RESOLVED - That the non-public minutes of the meeting held on 23rd November 2021 be agreed as an accurate record.

9. **BARBICAN CENTRE - ECONOMY, EFFICIENCY AND EFFECTIVENESS HEALTH CHECK**

The Sub-Committee received a Report of the Joint Interim Managing Directors, Barbican Centre concerning the Centre's financial outlook.

10. **DEPARTMENT OF COMMUNITY & CHILDREN'S SERVICES DEEP DIVE SAVINGS REPORT**

The Sub-Committee received a Report of the Director of Community & Children's Services concerning the TOM and Fundamental Review savings at the Department of Community & Children's Services (DCCS).

11. **DEEP DIVE REPORT - CITY OF LONDON POLICE**

The Sub-Committee received a Report of the Commissioner of the City of London Police concerning the City of London Police's funding streams, savings, and its Medium-Term Financial Plan.

12. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

13. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There was no other business.

The meeting ended at 3.30 pm

Chairman

**Contact Officer: John Cater
tel.no.: 020 7332 1407
john.cater@cityoflondon.gov.uk**

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Agenda Item 4

Committee: Efficiency & Performance Sub Committee	Date: 18 February 2022
Subject: Securing 'flightpath' savings and understanding service impacts: 2021/22 progress	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Information
Report author: Sonia Virdee, Interim Finance Services Director, Chamberlain's	

Summary

On 4th March 2021, the Court of Common Council approved a general budgetary reduction of 12% against 2021/22 departmental budgets (or 6% in case of social care and children services), continuing to protect the most vulnerable services. In addition, the Corporation is committed to implanting the Fundamental Review (FR) savings approved in 2019/20 to be delivered across five years from 2020/21 to 2024/25.

This report is the last update before the financial year end - 31st March 2022, on the identification of the permanent savings to meet the 12% budget reduction and FR savings already applied to 2021/22 budgets. As the update is based on 31st January 2022 figures, further changes will be expected during February and March 2022.

The Efficiency and Performance Sub Committee agreed to scrutinise the overall savings, with the Establishment Committee scrutinising achievement of Target Operating Model (TOM) Savings, the impact of flexible retirement policies and translation of vacancies into post permanent savings; alongside costs of the scheme.

There has been significant effort across the Corporation to identify sustainable savings we appreciate both Member and Officers efforts in achieving this through the bilateral approach. Departments continue to work through their transformation programmes to comply with the TOM design principles and permanent savings required to meet the 12% budget reduction. The total savings unidentified has reduced to 10% - totalling £1.6m (see barometer in para13). Most departments were forecasting an overspend on their local risk budgets at period 9 (31st December) on their 2021/22 budget position (as reported to Finance Committee in January). However, Officers have worked across

the Corporation to mitigate expenditure under both local and central risk to compensate for the overspend on local risk, producing an overall underspend across City Fund with a small overspend on City's Cash at period 9. Mitigations to bring down the overspend on City's Cash is being worked on.

Significant progress has been made on the implementation of FR proposals, 87% profiled for 2021/22 have been achieved to date. Members will remember the Fundamental Review Savings were agreed in 2019/20 – prior to the pandemic and 12% budgetary reductions. The combination of COVID plus the pressure to deliver against the 12% savings has seen some departments under pressure to deliver the FR savings in line with agreed timescales. Progress with FR proposals and reasons for delays have been explored fully in the bilateral meetings with Service Committee Chairmen over the Autumn/Winter and outstanding proposals within Chamberlain's, COO and Children and Community Services are now progressing.

More widely, the full range of permanent savings and profiling of FR proposals have been confirmed in the departmental Deep Dives reported to this Sub Committee. With the second phase of the TOM continuing into 2022/23, further Deep Dive reports will continue to be reported to this Sub Committee during 2022/23.

Recommendation

- Members are asked to note the report.

Main Report

Background

1. To ensure the sustainability of the medium-term financial plan (MTFP), it is essential to ensure the flightpath savings remain on track, in particular:
 - 12% reductions already applied to 2021/22 budgets, totalling £16m ((£7m City Fund, £4m City's Cash and £5m Guildhall Admin): ensuring departments have identified permanent savings; part of which are savings from the TOM, with scrutiny of any overspending committees or departments/institutions;
 - Delivery of Fundamental Review savings approved by Policy & Resources Committee; and where proposals have been moved out of year due to delays caused by COVID impacts. £2.4m FR savings for 2021/22, with the savings profiled across the MTFP (2021/22 to 2024/25) total £10.1m (City Fund £5.6mm, City Cash £1.3m and Guildhall Admin £3.2m); and
 - COVID impacts on main income streams and service delivery, in particular from lower rental income and volatility on retained business rates.
2. Most departments have now completed their design principles and also consultation, although some do not complete consultation until end of March 2022. Where departments are still under consultation, the approved proposals by Establishment Committee are still subject to change depending on outcomes from

the consultations. In addition, the second phase of the TOM is under consideration where four departments are yet to put forward full proposals.

3. The purpose of the TOM is not just a cost saving exercise, but rather about effective and efficient running of the City Corporation, covering aspects such as process, people/skills, organisation, location, accountabilities, decisions, performance, technology - ensuring the TOM principles are adhered to in structural design. The impact of this transformation is expected to be realised in the coming years. The TOM savings target agreed by Court of Common Council in 2020/21 was £4.5m (£3m City Fund and £1.5m City's Cash). Members will recall that the TOM programme was delayed by a year due to the pandemic.
4. It was not possible to estimate what the TOM savings will be and allocate a target to departments. Each department has a different cost base - some departments are overwhelmingly staff costs, other departments have proportionately much smaller staff costs within their overall spend. As each department progresses through the TOM, Chamberlain's capture the post savings under the TOM and non-pay savings separately (such as income generation and expenditure reductions), building an overall snapshot of ongoing savings to date. At an officer level, securing TOM savings and outputs are challenged by the Design Authority Board and at Member level by this Sub Committee in the deep dives.
5. The TOM target is therefore a range, with a minimum value of £4.5m and is part of the overall 12% reduction totalling £16.171m.
6. Resource Allocation Sub Committee (RASC) is keen to understand:
 - The service changes that have happened as a result of the FR and what has been agreed for future years, potentially through a 'parity' lens of the proportional budget cut from the FR; and
 - Service changes that will happen as part of 2021/22 budget to stay within the 12% envelope allocated by RASC (approved by the Court of Common Council on 4 March), including likely post pandemic service impacts in the Square Mile and London more widely.
7. The Chamberlain's department continues to work with departmental management teams to ensure proposals are within budget envelopes; and compile an overview of the progress with Fundamental Review schemes and timeframes for securing TOM savings.
7. Bilateral meetings took place during Autumn/Winter identifying any service impacts of securing the 12% savings which could conflict with corporate priorities, undermine the delivery of front-line services (for example services to vulnerable people) or be disproportionately damaging. There are no material matters to draw to members attention. Outcomes have been captured across the Corporation family at appendix 1.

Update on composition of the 12% savings – TOM and other

8. Table 1 summarises progress on identification of TOM specific and other savings for the departments that have either gone through the initial organisational design process, where permanent year on year savings is achieved and delivered (full year implementation in 2021/22), against those departments yet to go through the organisational design process achieving one-off savings in year (2021/22) by holding vacancies. Permanent savings under the TOM total £3.2m, against the total £4.5m deliverable. Taking into account the cost of backfill £0.8m (as departments finalise their restructure), this report illustrates a snapshot in time (31st January) delivering 134% net savings of the original TOM target in 2021/22. Overall, 12% savings achieved to date total 90% of overall target – further illustrated under section 13 of this report.
9. Key Points to Note - Table 1:
- Budgets top sliced for 12% savings (or 6% in case of social care and children services - continuing to protect the most vulnerable services) from 1st April 2021, equating to 16.171m (excludes CoLP, GSMD and Barbican). The 12% reduction is shown by department in the table below in the third column from the right, 'total 12% (or 6%) savings to be achieved'.
 - Savings confirmed are at a point in time, 31st January – noting departments must deliver within the overall envelope.
 - Departments are working on how they will deliver unidentified savings – to be reviewed under the bilateral meetings.
 - The TOM target of £4.5m is part of the £16.171m to be achieved per annum as these are reoccurring savings. No specific TOM targets were or could be agreed with departments in advance of the TOM process.
 - Savings maybe a combination of non-pay and headcount reduction. Non pay savings (examples of these - expenditure and income that does not relate to people costs), illustrated under the column – Non-Pay 12% (or 6%) delivered in 2021/22, whereas headcount reductions and staff savings by holding vacancies is illustrated in the first three columns.
 - We are unable to quantify a permanent split between TOM and non-pay savings until all departments transition into their new structure.
 - Due to COVID impact, the Barbican Centre was permitted to defer its 12% savings until after 2021/22 (an additional £7m of funding was included in the budget). 12% savings are now deducted from the Barbican Centre's 2022/23 budget.
 - Amber shading denotes departments will continue proposals into 2022/23 to be agreed by Committee/Members under the TOM process.
 - CoLP and GSMD savings are ringfenced to the Police and School's reserves respectively under the funding agreement.

- A new column has been added, 'Consultation end date:' to confirm when departments complete their consultation on their TOM proposals with staff.

Table 1

Department	Staff related savings delivered in 2021/22 - confirmed to date £000's	Of which: TOM - Permanent Savings £000's	TOM pending - In-year Vacancies held 2021/22 £000's	Full year implementation of Permanent Savings Year	Non-Pay 12% (or 6%) delivered in 2021/22 £000's	Total 12% (or 6%) savings to be achieved £000's	Less cost of backfill £000's	Savings still to be identified £000's	TOM Proposals to Estab. Cttee. Date	Consultation end date:
Bridge House Estate	0	0	0	2022/23	0	0		0	TBC	TBC
Environment	1,305	502	803	2022/23	1,601	2,663	(180)	63	19-Jan-22	Before end of Feb-22
Environment - Open Spaces	145	0	145	2022/23	1,541	1,793	0	(107)	TBC	TBC
Chamberlains	1,472	1,364	108	2022/23	328	1,324	(261)	215	19-Jan-22	Before end of Feb-22
Chief Operating Officer	2,141	1	2,140	2022/23	-362	2,146	(392)	(759)	31-Jan-22	Before end of Feb-22
Community & Children Services	182	182	0	2021/22	1,046	1,451	(9)	(232)	23-Jun-21	Completed
City of London Freeman's School	0	0	0	2021/22	105	105	0	0	11-Nov-21	Completed
City of London School	0	0	0	2021/22	227	227	0	0	11-Nov-21	Completed
City of London School for Girls	0	0	0	2021/22	91	91	0	0	11-Nov-21	Completed
City Surveyors*	519	519	0	2021/22	2,226	3,476	0	(731)	31-Jan-22	Before end of Feb-22
Comptrollers and City Solicitors	0	0	0	2021/22	101	101	0	0	19-Apr-21	Completed
DTC Functions	983	177	370	2022/23	596	1,609	0	(30)	11-Nov-21	Delayed - by end of Mar-22
Innovation & Growth	143	143	0	2021/22	815	950	0	8	22-Jul-21	IG Completed, Culture end of Feb-22
Remembrancer	0	0	0	2021/22	199	200	0	(1)	15-Oct-21	Completed
Total TOM savings	6,890	3,194	3,696		8,514	16,136	(842)	(1,574)		
Less cost of backfill	(842)									
Nett TOM Savings	6,048									
TOM Target	4,500									
Above target	1,548									

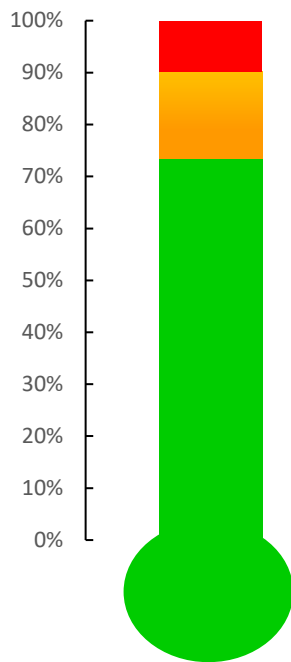
Department	TOM savings delivered in 2021/22	Permanent Savings	In-year Vacancies held 2021/22	Full year implementation	Remaining 12% delivered in 2021/22	Overall TOM/12% savings to be achieved	Less cost of backfill	Overachieved Savings	TOM Proposals to Estab. Cttee.	Consultation end date:
	£000's	£000's	£000's	Year	£000's	£000's	£000's	£000's	Date	
Barbican**	0	0	0	2023/24	0	0	0	0	31-Jan-22	Phase 1 before end of Feb-22
City of London Police	0	0	0	2022/23	0	2,300	0	0	18-May-22	TBC
GSMD	497	147	350	2022/23	335	832	(54)	(54)	19-Jan-22	End Feb-22

* The City Surveyor has committed to do a further review in the first quarter of 2022/23 to enable savings to be achieved if they cannot be made any other way.

** Barbican proposals for Phase 2 are due to be drawn up once the CEO is in post and will report to Establishment Committee in June 22

10. Other pay initiatives include savings from normal retirements, post reductions, and or changes in grades and are likely to be more permanent savings. However, as with all savings, these will be finalised once departments have implemented their TOM proposals following staff consultation.
11. Non-pay initiatives include one-off savings as well as permanent on-going savings. The deep dives have been an opportunity to explore these further to ensure permanent savings are sustainable, through challenge and scrutiny. Also, an opportunity to identify changes in practice, new innovative ways of working.
12. The Design and Authority Board and where necessary the TOM steering group if any deviation from design principles have been proposed, recommended that proposals for design and delivery progress are fit to progress to Committee. It is clear from the financial review, further work is still required to ensure full delivery of 2021/22 savings and subsequent years. Deep dive reports will continue to be presented to the Efficiency and Performance Sub Committee during 2022/23 with new information. Departments that have gone through the deep dives and not delivered the full savings will be required to bring back an update at a later stage.

13. The savings barometer illustrates permanent savings against those one-off savings being delivered for this financial year:



- GREEN: 73% confirmed, permanent Savings
- AMBER: 17% one-off savings achieved for 2021/22
- RED: 10% savings yet to be identified and delivered.

Update on Fundamental Review Savings

14. Table 2 below provides progress against the Fundamental Review (FR) Savings totalling £2.4m. With 12% top slicing of budgets and FR savings to be achieved some departments are expected to make in excess of 20% savings against their local risk budgets in this financial year – 2021/22. This is over and above dealing with the repercussion of COVID on income and ability to push forward with proposals. Whilst the Court of Common agreed (March 2021) to reprofile FR proposals relating to income generation, the table below demonstrates 87% is achieved to date. Progress with FR proposals have been explored in bilateral meetings with Service Committee Chairmen. During 2022/23, an officer star chamber led by the Town Clerk and Chamberlain will be undertaken to confirm future planned FR proposals.

Table 2 – 2021/22 Fundamental Review

Department	Total Fundamental Review Savings Agreed £000's	Total Fundamental Review Savings Achieved £000's	Savings still to be identified £000's
Barbican	0	0	0
Bridge House Estate	0	0	0
Environment	332	332	0
Chamberlains	300	205	(95)
Chief Operating Officer	462	384	(78)
Community & Children Services	594	450	(144)
City of London Freeman's School	0	0	0
City of London School	0	0	0
City of London School for Girls	0	0	0
City Surveyors	601	601	0
Comptrollers and City Solicitors	0	0	0
DTC Functions	20	20	0
Innovation & Growth	69	69	0
Remembrancer	0	0	0
Total FR savings	2,378	2,061	(317)

Other Unidentified Savings

15. As departments prepare for their deep dives Chamberlain's are capturing any other unidentified savings that departments are yet to achieve. Other unidentified savings have predominately arisen from a series of flat cash budgets approved over several years – 2% uplift assumptions matched by 2% efficiencies, where departments have had to absorb inflationary pressures within their current base budget. This now includes income losses where departments are struggling to meet their current targets. To date £2.2m has been identified under other unidentified savings.
16. Departments are aware of any unidentified savings and continue to review the overall savings to be achieved taking into account - the 12% budget reduction, FR savings and any other unidentified savings when reviewing the savings needed to be delivered.
17. Resource Allocation Sub Committee signalled that 2022/23 should be a year of consolidation to bed down the 12% savings and take stock on fundamental review proposals. Whilst flat cash is still being proposed for 2022/23 budgets to Finance Committee, aggressive assumptions have been made in respect of inflationary pressures – where inflation is expected to be significantly above the Bank of England's 2% target in the near future reaching 5% in 2022/23 before gradually returning to target in 2024/25. These proposals have been worked

into the medium-term financial plan and report to Finance Committee for decision on 15th February.

Bilateral meetings in the Autumn

18. Bilateral meetings between Service Committee Chairmen and the Chair(men) of Policy and Resources and Finance and their Deputies commenced in September and ran through to January. Conversations covered the following 5 key areas:
- i. 2021/22 and 2022/23 budget setting:
 - a. Progress in securing the 12% savings– measures for 2021/22 and full delivery for 2022/23.
 - b. Progress with the TOM and capturing savings secured through post reduction.
 - ii. Medium term outlook- key political initiatives, service direction and progress with fundamental review.
 - iii. What these savings mean on the ground for service delivery and assurance that efficiencies have actively been secured before any reduction in service delivery.
 - iv. Using the opportunity to improve service outcomes within a reduced financial envelope- to what extent are departments and Service Committees doing things differently?
 - v. Capital needs and latest thinking on use of Corporation assets.
19. Key areas from the bilateral meetings relevant to budget setting have been included under appendix 1.

Deep Dives

20. Although overall scrutiny is being provided by the Efficiency and Performance Sub Committee, information for the delivery of savings is being requested by members from other committees, including Establishment Committee. In order to accommodate such requests and avoid duplication in work, Chamberlain's has taken the opportunity to review the information needed collectively with Town Clerk's and City Surveyors. An overarching and expanded information capture template has been completed by departments, analysing the following:
- Progress of delivery of 12%, fundamental review and TOM
 - Including vacancies, post savings, flexible retirement;
 - Differentiating between one off savings and permanent changes.
 - Impact on 21/22 budget, 23/23 budget and capturing key changes across the medium term; and
 - Progress against the Departmental Business Plan, highlighting initiatives for increasing collaborative working.
21. The information in return provides a rounded view for the Deep Dives. Currently departments have all submitted their 2021/22 impacts, work on the medium-

term assumptions has commenced in line with budget setting and business planning timetable.

22. Deep dives have been delivered as per the revised timetable in appendix 1. Revisions have been made to reflect:

- Risk: departments that have been more dependent on one off savings for 21/22; struggling to achieve the savings 'flightpath' or fundamental review proposals; pressures in delivering services on ground; or are experiencing delays through the TOM process;
- Timing of departments progressing through the TOM process and recruitment of Chief Officers; and
- Scrutiny provided elsewhere e.g. in-depth discussion at Policy and Resources on funding allocations between Academies and the three independent schools.

23. Furthermore, this information will provide a base in taking forward the zero based budgeting review.

Conclusion

1. Significant effort across the Corporation to close the gap in identifying savings and we appreciate the Officers effort in achieving this. Most departments have now completed their design principles and also consultation, although some do not complete consultation until later this month/end of March 2022. Where departments are still under consultation, the approved proposals by Establishment Committee are still subject to change depending on outcomes from the consultations.
2. The second phase of the TOM is under consideration where four departments are yet to put forward either part or full proposals. During the period of transformation, Officers will have had the opportunity to explore fully the savings within the 12% budget reductions.
3. A small percentage of savings are currently unidentified – 10%, totalling £1.7m, as departments progress through the TOM and bilateral process timescales for achieving these savings permanently are being clarified. In the meantime, departments are seeking one off savings in 2021/22.
4. Significant progress made with the Fundamental Review (FR) proposals - 87% profiled for 2021/22 have been achieved to date.

Appendix 1 –Overview from bilateral meetings

Appendix 2 – Revised Deep Dive Timetable

Sonia Virdee

Acting Financial Services Director

E: sonia.virdee@cityoflondon.gov.uk

Appendix 1

Overview from bilateral meetings - for MTFP planning and Budget 2022/23

Institution	Issue- MTFP impact	Budget change 22/23
Barbican	<p>Ongoing impact of pandemic on income streams- cancellation of events/ programme, lower visitor numbers. Compensation of £1.6m requested- could be funded from carry forwards as Barbican will underspend on current £7m allocation.</p> <p>Further risks- energy inflation.</p>	<p>12% budget reduction applied.</p> <p>Covid related compensation from carry forward – to be agreed through year end governance process.</p>
GSMD	<p>Made 12% savings, ringfenced to GSMD due to funding agreement with Office for Students</p> <p>VAT issues – discussion arranged with Chairman</p> <p>Estates Masterplan – should be implemented in line with Business Plan.</p> <p>Loan request for capital – although the savings made could be reinvested instead of loan facility.</p>	<p>Business case for loan request will be made if savings are not sufficient to cover the costs.</p>
Independent Schools	<p>Tomlinson Funding model- changes approved by Policy and Resources Committee - implemented.</p> <p>CLS – request for transitional relief- smoothing the funding changes under the Tomlinson Funding model</p>	<p>Transitional relief to CLS for three years – totalling £284p.a. (2022/23 to 2024/25).</p>
Police (separate report directly to Finance in Dec given extent of the issues- BRP increase 0.4p in £ recommendation, alongside £15m savings to be identified p.a. - risk noted in budget report)	<p>£9m savings made over the last two years. A further £6m mitigations to find for 2022/23.</p> <p>Request to reinstate £2.3m BRP from 2021/22.</p> <p>Pressures on cybercrime, Action fraud, inflation, uplift in officers – only part supported through additional funding.</p> <p>Home Office expectation that inflationary and cost pressures to be covered through locally levied taxes- £10 precept permitted on Council Tax.</p>	<p>Recommendation for BRP increase.</p>

Service	Issue- MTFP impact	Budget change 22/23
Children & Community Services	Barbican residential service charge issue – savings to be revisited. HRA - under significant pressure- recognised as risk under MTFP Corporate Register. Pressure on unaccompanied asylum seeking children (UASC) Afghan refugees- cost pressure: now resolved through govt funding. Risk under FR savings – therefore need to be reviewed.	None, but note need to look at UASC in future years. FR savings rephased into 2023/24.
Environment	Key inflation risk- contract inflation and energy. May not be able to make budget savings needed by 22/23 but will be able to make more than 12% over 22/23 and 23/24. 5-year plan to be delivered. Department have now managed to identify savings to stay within budget.	None
Innovation & Growth	Made 12% savings Grants for City UK, GFI and III- resource requested	Grants for City UK, GFI and III Now also includes funding for Destination City.
Open spaces	Charities- need to be treated as such, including branding and advice given. Changes made in the Chamberlain’s TOM, so that Head of Profession for charities leading on upskilling in this area. Surplus operational property- progress disposal or review use.	None
Corporate Department	Issue- MTFP impact	Budget change 22/23
Chamberlain	Made 12% savings Need for two temporary posts re projects. Risk under FR savings.	Partial funding covered by Transformation Fund and request for underspend in 2021/22 to be carried forward to support CHB major transformation programme. FR savings rephased under the MTFP in line with implementation of ERP.
Comptroller	Made 12% savings Unidentified savings not achieved – proposal on how to achieve these requested through a follow-up deep-dive to E&P – Feb 22	None

Service	Issue- MTFP impact	Budget change 22/23
COO	Overspends forecast under IT and HR for 2021/22. IT provision model will need to change – ZBB. HR – pressure from unidentified savings in 2022/23 – request to carry forward underspends to support this. Need for additional posts – under IT, HR, EDI & continuous improvement.	Funding for new posts - covered by virement from Transformation Fund.
Deputy Town Clerk	Three further posts requested by the Chief Strategy Officer – time limited Posts for CPR’s office Police Authority strengthening- posts requirement	Temp posts covered by security contingency. Permanent increases covered through virement from Transformation Fund. PAB- BRP increase recommendation.
Mansion House	Reinforced need for CPR’s office and MH closer working – shared services e.g. speech writing. 12% yet to be identified. TOM progressing.	None
Remembrancer	12% savings made	None
Surveyors	£3.3m of £4.2m savings identified. Second bilateral confirmed further post savings to meet gap. Key construction inflationary pressures, and supply chain delays- need for inflation contingency. Risks – Government moratorium in place until March 2022 impact on rental income and additional void costs. Operational property - underutilisation: ZBB workstream? CWP programme in excess of funding available- consideration in budget setting Cost pressures due to increased project work- appropriate recognition of costs as part of project specification. Risk under FR savings for 2022/23, request to reprofile these into 2023/24 given time to bed savings.	CWP- programme costs revised and now included in MTFP. FR savings profiled into 2023/24.

N.B. Rephasing of FR savings relate to those scheduled for 2022/23 only.

- Risks
 - inflation on revenue, particularly in Barbican and Environment;
 - capital projects inflation rising up to 15%;
 - Inflation contingency needed in both revenue and capital programme.
- ZBB workstreams/factors- operational property, digital services new operating model, open spaces charities, income generation opportunities.

Appendix 3

Revised Deep Dive Timetable

Category	Item	Committee Date	Paper deadline to Sonia Virdee	Paper deadline for Committee Papers
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures to be presented</i>	<i>16-Jun-21</i>	<i>Completed</i>	<i>Completed</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Comptroller</i>	<i>16-Jun-21</i>	<i>Completed</i>	<i>Completed</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - City Surveyors</i>	<i>16-Jul-21</i>	<i>Completed</i>	<i>Completed</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures (all departments)</i>	<i>25-Oct-21</i>	<i>07-Oct-21</i>	<i>18-Oct-21</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Innovation & Growth</i>	<i>25-Oct-21</i>	<i>07-Oct-21</i>	<i>18-Oct-21</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - GSMD</i>	<i>25-Oct-21</i>	<i>07-Oct-21</i>	<i>18-Oct-21</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures (all departments)</i>	<i>23-Nov-21</i>	<i>05-Nov-21</i>	<i>12-Nov-21</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Environment</i>	<i>23-Nov-21</i>	<i>05-Nov-21</i>	<i>12-Nov-21</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures (all departments)</i>	<i>21-Jan-22</i>	<i>05-Jan-22</i>	<i>13-Jan-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Deputy Town Clerk</i>	<i>21-Jan-22</i>	<i>05-Jan-22</i>	<i>13-Jan-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Barbican Centre</i>	<i>21-Jan-22</i>	<i>05-Jan-22</i>	<i>13-Jan-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report -Community and Children's Services</i>	<i>21-Jan-22</i>	<i>05-Jan-22</i>	<i>13-Jan-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - COLP</i>	<i>21-Jan-22</i>	<i>05-Jan-22</i>	<i>13-Jan-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures (all departments)</i>	<i>22-Feb-22</i>	<i>02-Feb-22</i>	<i>10-Feb-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Chamberlain's</i>	<i>22-Feb-22</i>	<i>02-Feb-22</i>	<i>10-Feb-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Deputy Town Clerk</i>	<i>22-Feb-22</i>	<i>02-Feb-22</i>	<i>10-Feb-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Chief Operating Officer</i>	<i>22-Feb-22</i>	<i>02-Feb-22</i>	<i>10-Feb-22</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Comptroller - Update</i>	<i>22-Feb-22</i>	<i>02-Feb-22</i>	<i>10-Feb-22</i>

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Agenda Item 5

Committee(s): Efficiency and Performance Sub (Finance) Committee	Dated: 18.02.2022
Subjects: 1. Comptroller & City Solicitors Department Internal Trading Account Evaluation 2. Proposal to deliver unidentified savings	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Michael Cogher	For Decision
Report author: Nick Senior, Comptroller & City Solicitors Department	

Summary

An internal trading account arrangement for Comptroller and City Solicitors Department (C&CS) was approved Finance Committee on 20th February 2018 and commenced in April 2019. This report examines and evaluates the effectiveness of trading account and makes recommendations for further refinement of the arrangement principally to change the trading account or adopt an alternative budget arrangement that enables the C&CS service resource to expand and contract flexibly in response to and in anticipation of demand increases and decreases.

C&CS has an unallocated savings target of £357,000, under its TOM proposals the service will increase lawyer chargeable hours targets to improve efficiency and productivity commencing in April 2022, the additional chargeable hours will generate £200,000 of additional income. The report proposes that the remaining £157,000 of savings will be achieved by increasing the charge rates for Lawyers and Chief Lawyers, Lawyer rates will still be lower than the London Boroughs Legal Alliance (LBLA) average and Chief Lawyer rates will match the LBLA average for this level of officer.

Recommendation(s)

Members are requested to:

1. Approve the proposal for the development and deployment of a revised internal trading account mechanism and budgeting arrangement for the provision of all internal legal services by the Comptroller and City Solicitors department.
2. Approve the proposal for the delivery of the remaining C&CS unallocated savings of £157k.

Main Report

Background

1. The Efficiency and Performance Sub (Finance) Committee of 16.07.2021 requested a follow up report on the C&CS Trading Account and on the departments proposals for the delivery of unallocated savings of £357k.
2. The development of an internal trading account arrangement for Comptroller and City Solicitors Department(C&CS) was approved Finance Committee on 20.02.2019 and commenced in April 2019.
3. This report examines and evaluates the strengths and weaknesses of the C&CS trading account as is and measures the performance against the original objectives detailed in the Finance Committee report.
4. C&CS currently has an unallocated savings target of £357,000 the delivery of which can only be achieved by either staff reductions which would result in increased costs of legal support due to the necessity to outsource work to private sector suppliers, or by increasing the chargeable hours targets to improve efficiency and by increasing the lawyer hourly rates which will increase internal income.

Current Position

5. The C&CS trading account has been operational for nearly three full financial years, a sufficient period for an evaluation of the strengths, weaknesses, opportunities and threats associated with the arrangement as summarised in Appendix 1. A summary of the key issues follows.
6. The trading account has brought greater transparency to the recharge process, the previous Central Support Cost mechanism was at best opaque, direct charging to client budgets has brought improved transparency of the costs of legal advice and support and the distribution and type of demand across the Corporation. It has enabled departments to assess the impact of legal support spend directly on their budgets which supported by a more rigorous instruction process requiring manager sign off has arguably controlled the rise in demand

for legal support. It has enabled C&CS to develop improved business intelligence particularly in relation to demand for legal support by legal function and to manage and plan lawyer resource.

7. Direct charging for services coupled with more robust monitoring of lawyer chargeable hours has incentivised lawyers to record their chargeable time on the C&CS case management system more diligently resulting in greater focus on chargeable work and improved efficiency and performance.
8. The key aim of the trading account at the outset as approved by Finance Committee was to manage and control demand for in-house legal advice and support, whether this has been successful is difficult to establish as demand has increased both for business as-usual legal work and for legal support on major projects e.g. work on Barking Power station and the markets re-location project.

The increase in demand is evidenced by the total number of annual lawyer chargeable hours in the last three years as summarised below, though indicative of increased demand it is also a result of increased insourcing of legal work using additional fixed-term contract staff.

2019/2020	42,628 hours
2020/2021	44,219 hours
2021/2022 (forecast)	44,300 hours

It is evident from the above that the trading account has not reduced the demand for legal advice and support though it may have limited the increase though there is no hard data to support this.

9. Implementing and operating the C&CS trading account has created an additional administrative burden which did not previously exist. Guidance on the processes associated with the trading was issued to client departments at the outset and has been refreshed and repeated subsequently but the administrative burden remains and has been exacerbated by operational issues that have arisen and in summary these are:
 - A new more rigorous instruction process that requires a cost centre for C&CS to charge to, instructing officers are often not aware of the instruction process requirements or the appropriate budget cost centre this problem is particularly acute in departments where there is a high staff turnover.
 - The process of preparing bi-monthly charge reports that are distributed to and reviewed by client departments are often amended and revised including often time-consuming correction of cost centre miscoding.
 - Additional transactional work undertaken by Chamberlains Department loading the trading account charges onto the general ledger and subsequent corrective actions in relation to incorrect cost centres.
 - Retrospective corrective action where miscoding's come to light later down the line resulting in additional transactional work.

Analysis of the opportunity costs across client departments has not been undertaken but has certainly impacted particularly in high usage departments such as City Surveyors. In C&CS the management and administration of the trading account requires 30 hours per month at grade H and 15 hours per month at grade D at a cost of £26,000 per annum, feedback from City Surveyors a major client indicates a similar additional annual cost of supporting the trading account.

Feedback from some client departments indicates that additional workloads have diverted resource away from other key business priorities for example income saving and generating activity and is viewed as a distraction with limited benefit to the business and at a time when resources are reducing.

10. The Finance Committee report of 20.02.2019 recommended that:

‘Should the demand for additional work continue to grow within legal services there will be a point at which a step-change of demand necessitates the need to employ more staff to meet demand. Such an increase to the legal services establishment will follow the usual approval process through Establishment Committee supported by a business case demonstrating that the cost can be met from income. The risk of a decline in demand and a commensurate fall in income will be borne by the Comptroller and City Solicitor’.

The C&CS trading account model as deployed is sub-optimal in that the C&CS legal function is still tied to the traditional City model of fixed Local and Central risk budgets thereby neutralising the potential benefits of a flexible trading account.

C&CS has a policy of in-sourcing legal expertise particularly in relation to major projects, legal experts on fixed term contracts are sourced rather than outsourcing the work to expensive law firms resulting in significant cost savings to the City.

This arrangement is currently not properly accounted for a situation that requires redress in support of the following TOM objectives:

- Align activity and resources to our corporate outcomes
- Build competence and capability to deliver our Corporate Plan
- Supports an agile organisation through flexible enablement of legal expertise
- Enable us to respond to, and be proactive in anticipating, changes in the external context

11. The main risk identified at the outset of the implementation of the trading account arises from the desire to reduce demand for legal services. This could have resulted result in legal advice not being sought when it is required which results in the increased risk of reputational damage, a potential legal dispute and/or financial penalty.

There is no evidence to suggest that client departments have reduced the call on legal support to control budgets though with a vigorous budget savings programme going forward this might become an issue.

12. In relation to the C&CS unallocated savings target of £357,000, given that the C&CS local risk budget comprises £4,600,000 employee costs and £290,000 supplies and services costs the options for delivering the savings are limited to a reduction in employee costs which would result in increased costs of legal support due to the necessity to outsource legal work, or to improved internal efficiencies and or increased lawyer charge rates.

Options

1. Continue with the trading account and fixed central and local risk budgets as is which is a sub optimal arrangement as detailed in paragraph 10 above.
2. Terminate the trading account arrangement and revert to a fixed central and local risk budget which would result in a fixed legal resource base and the necessity of outsource legal work at much greater cost to the Corporation.
3. Revise the trading account arrangement or develop an alternative budget arrangement that enables the service to expand and contract its lawyer resource in response to and anticipation of demand increases and decreases, would support an agile enabling legal service.
4. Continue to carry the local risk budget unallocated savings target forward or deliver the savings as proposed below.

Proposals

1. In collaboration with the Chamberlains department, it is proposed to revise the trading account arrangement or deploy an alternative budget arrangement that enables the service to expand and contract in response to and anticipation of demand increases and decreases. This will enable C&CS to deliver a more agile demand-based service by insourcing legal work using contract staff to respond to volume spikes or to work on major projects, this approach will control spend on legal support given that the alternative is to outsource work at much higher cost. It is acknowledged that it will still be necessary to outsource some legal work where the in-house team lacks the specialist expertise required or cannot procure contract staff with the appropriate expertise.
2. C&CS currently has an unallocated savings target of £357,000. The C&CS TOM report approved by Establishment Committee on 12.05.2021 included a proposal to increase lawyer chargeable hours targets from 1200 to 1260 hours per annum and Chief Lawyer targets to 1080 to 1130 hours the new target hours will bring the C&CS targets in line with the London Boroughs Legal Alliance (LBLA) benchmarked average among local authority legal departments. This increased efficiency will deliver £200,000 of additional income through the trading account.

It is proposed that the remaining £157,000 savings are achieved by increasing the Chief Lawyer charge rates from the current £110 per hour to £118 per hour and Lawyer rates from £87 to £90 this will bring the Chief Lawyer rate into line with the current LBLA benchmarked rate average, the lawyer rates will still be lower than the LBLA average, this proposal will deliver the required additional internal income though will impact on client budgets.

The LBLA benchmark lawyer rates and chargeable hours targets and the C&CS proposed changes are summarised in Appendix 2.

Corporate & Strategic Implications

Strategic implications

None.

Financial implications

The proposal to achieve £157,000 savings by increasing the hourly rates of lawyers and Chief Lawyers will impact on client budgets due to increased charges for legal support.

Resource implications

No additional resource implications.

Legal implications

None.

Risk implications

None

Equalities implications

None.

Climate implications

None.

Security implications

None.

Appendices

Appendix 1 - C&CS Trading Account SWOT analysis

Appendix 2 - LBLA Benchmark data – hourly rates and targets

Michael Cogher

Comptroller and City Solicitor

T: 020 7332 3699

E: Michael.cogher@cityoflondon.gov.uk

Appendix 1

C&CS Trading Account SWOT

Strengths

1. Transparency of costs of legal advice and distribution of demand across CoLC departments.
2. Greater incentive for fee-earners to meet chargeable hours targets.
3. Improved BI on legal work undertaken and costs.
4. Has brought greater rigour to the instruction process.
5. Has not created significant organisational turbulence.

Weaknesses

1. Has not reduced demand for legal advice and which was one of the key drivers for introducing a trading account.
2. Lack of client knowledge of trading account processes.
3. Increased transactional work
 - Fee-earners finding cost codes
 - Client struggle with cost codes
 - Generation of bi-monthly reports and distribution to depts
 - Client time checking and correcting reports
 - Dealing with queries, incorrect codes and adjustments – time consuming
 - Instruction process – client form filling, checking and correcting cost centres and adding these to the DPS case management system
 - Charge processing – Chamberlains and subsequent accountancy queries
4. Current arrangement is not a true trading account as it's not possible to flex the budget too increase fixed-term resource when LRB budget is fixed.

Opportunities

1. Revise trading account budget arrangement to enable C&CS to expand and contract in-house lawyer resource flexibly to enable service agility to undertake work in-house at a lower cost rather than outsourcing.
2. Revise and simplify the recharge process to build on the robust embedded systems already in place e.g. less frequent charge

Threats

1. The Key threat identified at the outset and raised by several clients during the consultation process was the perceived risk that to reduce spend on legal support clients may not instruct C&CS for legal advice when necessary, resulting in the risk of financial and or reputational damage due to poor decisions taken without legal guidance.

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Appendix 2

Lawyer hourly rates and chargeable hours targets

	Lawyer hourly rates £		
	LBLA Average	CoLC C&CS current	CoLC C&CS Proposed
Chief Lawyers	118	110	118
Lawyers	95	87	90
	Annual Chargeable Hours Targets		
Chief Lawyers	1166	1080	1130
Lawyers	1269	1200	1260

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By virtue of paragraph(s) 2, 3, 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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