

Committee: Efficiency & Performance Sub Committee Establishment Committee – for information	Date: 16 June 2021 23 June 2021
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 Town Clerk & Chief Executive and The Chamberlain	For Information
Report author: Sonia Virdee, Assistant Director - Strategic Finance, Chamberlain’s	

Summary

The Court of Common Council on 4th March 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. This report takes a first look at how departments are progressing with their in-year savings to date.

In order to ensure the delivery of savings and understand the service impact the Efficiency & Performance Sub Committee agreed to scrutinise the following areas below.

- 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.
- The Target Operating Model (TOM) implementation savings tacker
- Delivery of the 12% savings target, including scrutiny of any overspending committees or departments/institutions.

Establishment Committee will be scrutinising achievement of Target Operating Model Savings, the impact of flexible retirement policies and translation of vacancies into post permanent savings; alongside costs of the scheme.

Whilst savings are being achieved across the Corporation, additional costs are being incurred as the Corporation progresses through the new Target Operating Model (TOM). This report highlights the total expenditure to date and forecast for 2021/22, noting that costs remain within budget.

Recommendation

- Members are asked to note the report.

Main Report

Background

1. As the new target operating model enters the second phase, departments are progressing under separate and staggered 'waves' to ensure a smooth transition across the City Corporation. During the period of transformation, Officers will be able to explore fully the opportunities for savings within the 12% budget reductions.
2. Resource Allocation Sub Committee (RASC) is keen to understand:
 - The service changes that have happened in 2020/21 as a result of the Fundamental Review and what has been agreed for future years, potentially through a 'parity' lens of the proportional budget cut from the Fundamental Review; 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 service impacts of a COVID-secure return to work in the Square Mile and London more widely.
3. The Chamberlain's department is working with departmental management teams as they transition through the separate waves to ensure proposals are within budget envelopes; and compile an overview of the progress with Fundamental Review schemes and timeframes for securing TOM savings. Additionally, Officers will be building the picture of 2021/22 service impacts with Chief Officers and Heads of Finance as Service Committees and departments/institutions develop their thinking. The analysis will identify any proposed savings being put forward by Service Committees which would conflict with corporate priorities, could be disproportionately damaging, or could undermine the delivery of front-line services (for example, services to vulnerable people).
4. Finance Committee is keen to mitigate the risk to the sustainability of the Medium-Term Financial Plan, ensuring that the 'flightpath' savings remain on track, in particular:
 - Fundamental Review savings
 - 12% savings; part of which are savings from the TOM; and
 - COVID impacts on main income streams and service delivery, in particular from lower rental income and volatility on retained business rates.
5. In light of the above requirements, the Efficiency & Performance Sub Committee have agreed to scrutinise:
 - 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.
 - The TOM implementation savings tacker.

- Delivery of the 12% savings target, including scrutiny of any overspending committees or departments/institutions.

Context on TOM savings

6. To add more context on the Target Operating Model (TOM) savings within the flightpath of savings for 2021/22:
 - The purpose of the TOM is not just a cost saving exercise, but rather about effective and efficient running; ensuring the TOM principles are adhered to in structural design. 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.
 - 12% savings were identified as essential in 2021/22 budget setting, as part of the flight path of savings needed across the medium-term financial plan. This 12% figure totalling £15.6m (£7m City Fund and £4.7m City's Cash) included the TOM savings and is a permanent reduction in resource levels.
 - It is not currently possible to estimate what the TOM savings will be and allocate to departments. Each department has a different cost base - some departments are mainly staff costs, other departments have proportionately much smaller staff costs within their overall spend. As each department progresses through the TOM, Chamberlain's are capturing the post savings under the TOM, and 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 the Efficiency and Performance Sub Committee in the deep dives - the outcomes of which are reported to Establishment Committee.
 - The TOM target is therefore a range, with a minimum value of £4.5m

Update on overall savings target

7. This report takes a first look at the overall savings identified to date under City Fund and City Cash.

Table 1 below provides a summary of total savings to be achieved against overall savings identified, totalling £10.918m (60% of over savings target).

Summary Table	2021/22 £'000's
Savings - FR	2.718
Savings - TOM/12%	15.607
Total Savings	18.325
Total amount held from vacancies	2.104
Total amount held from flexible retirement	0.471
Total amount from other pay initiatives	0.818
Total amount from non-pay initiatives	8.178
Cost incurred via backfill for vacancies	(0.653)
Total Savings identified	10.918
Total Unidentified (or Overachieved) Savings	7.407

8. Whilst some departments have achieved their savings, the majority have achieved these through one off measures such as holding vacancies and flexible retirement, comprising of 24% of total savings achieved. These vacancies and flexible retirements are not necessarily permanent year on year post savings, until departments are able to confirm future structures through the TOM process. As departments go through the Design and Authority Board, Chamberlain's are translating what is achieved for this financial year (2021/22) and future years, presenting the information via deep dives to the Efficiency and Performance Sub Committee. Of the vacancies held and flexible retirements, costs of £0.654m have been incurred through backfills through either short-term or fixed-term contracts.
9. 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 through the deep dives and as departments go through the Design and Authority Board.
10. Non-pay initiatives include one-off savings as well as permanent on-going savings. The deep dives will be 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.
11. The Design and Authority Board have since approved the design and delivery of the TOM structure for three departments: Comptrollers & City Solicitors; Director of Community and Children's Services; and City Surveyor. Chamberlain's have worked closely with the departments to translate the delivery of savings for this financial year (2021/22) and future years (see appendices 1 to 3). 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 be presented to the Efficiency and Performance Sub Committee with further information in accordance with the timetable.

Deep Dives

12. 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 Surveyors. An overarching and expanded information capture template is being 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.
13. The information return will provide 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.
14. Deep dives will be delivered as per the revised timetable in appendix 1 (original timetable enclosed for information in appendix 2). 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.
15. Please note the main changes to the original deep dive timetable removes the three independent schools as per the direction taken above and inserts Environment and Community and Children Services.

Costs incurred in delivering the target operating model

16. At its meeting on 3rd December 2020, the Court of Common Council agreed the governance arrangements and timetable for the approval of the Corporation's new Target Operating model and Organisational Design.
17. The approval of £1.5m transformation fund p.a. was agreed in the budget setting and medium-term financial plan at that point. This is over and above the amounts budgeted for under redundancy costs and costs for flexible retirement.

Table 2 below provides a breakdown of one-off costs relating to the target operating model totalling £6.623m, of which is spent or committed to date.

Transformation Fund	2019/20	2020/21	2021/22	Total
C/Fwd requested	-	0.021	-	
Budgets Approved	0.155	1.500	1.500	
Total Budget incl. c/fwd	0.155	1.521	1.500	
TOM Programme Team	0.094	1.390	1.212	2.696
Other non-pay	0.040	0.131	0.096	0.267
Total Costs	0.134	1.521	1.308	2.963
Underspend	0.021	-	0.192	

Additional TOM Costs	2019/20	2020/21	2021/22	Total
C/Fwd requested	-	-	1.787	
Budgets Approved	-	4.900	2.100	
Total Budget incl. c/fwd	-	4.900	3.887	
Termination costs	-	0.313	0.547	0.860
Flexible retirements	-	2.800	-	2.800
Total Costs	-	3.113	0.547	3.660
Underspend	-	1.787	3.340	

Total TOM costs	0.134	1.521	1.308	6.623
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18. The additional spend of £0.021m in 2020/21 above the transformation fund budget has been off set against the approved carry forward requested from 2019/20. For the financial year 2021/22 the costs remain within budget.

19. £3.9m and £1m budget was set aside for redundancy costs and flexible retirement respectively for 2020/21. With the delivery of TOM continuing into 2021/22,

request to carry forward the underspend of £1.787m will be sought under the correct governance. 2021/22 budget includes the carry forward amounts plus budgeted amounts of £1.0m and £1.1m under redundancy costs and flexible retirement. It is expected these amounts will be committed as and when departments go through their transition.

Conclusion

This paper sets out, for Member comment: progress on savings achieved; revised timetable plus information on additional costs incurred under the new target operating model.

Appendix 1 – Summary of savings achieved for Director of Community and Children's Services, City Surveyor and Comptrollers & City Solicitors

Appendix 4 – Revised Deep Dive Timetable

Appendix 5 – Original Deep Dive Timetable, submitted on 30th March

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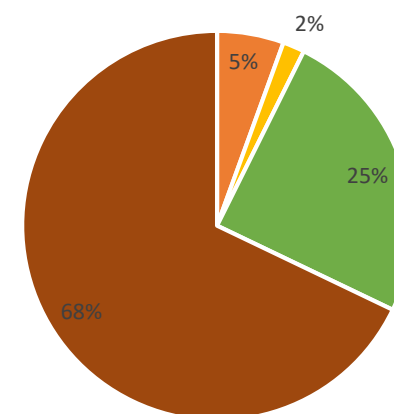
Appendix 1

Department of Community & Children's Services (including libraries, education board and Barbican residential)

Summary Table	21/22	22/23	23/24	24/25	25/26
Savings - FR	541,000	566,000	566,000	566,000	566,000
Savings - TOM/12%	1,228,000	1,237,000	1,237,000	1,237,000	1,237,000
Total Savings	1,769,000	1,803,000	1,803,000	1,803,000	1,803,000
FR savings delivered					
FR Savings Planned					
TOM/12% saving delivered					
Vacancies	98,000	107,000	107,000	107,000	107,000
Flexible Retirement	32,000	37,000	37,000	37,000	37,000
Other Pay Initiatives	438,000	221,000	221,000	221,000	221,000
Non-pay initiatives	1,201,000	917,000	1,058,000	1,058,000	1,023,000
Cost incurred via backfill	149,000	-	-	-	-
Total Savings	1,620,000	1,282,000	1,423,000	1,423,000	1,388,000
Total Unidentified (or Overachieved) Savings	149,000	521,000	380,000	380,000	415,000

Breakdown of 21/22 Savings

■ Vacancies
 ■ Flexible Retirement
 ■ Other Pay Initiatives
 ■ Non-pay initiatives

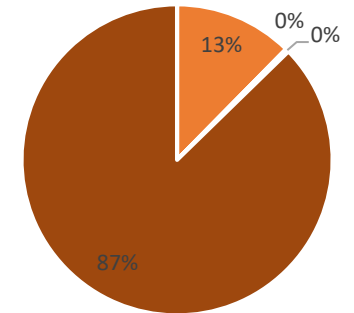


City Surveyors

Summary Table	21/22	22/23	23/24	24/25	25/26
Savings - FR	601,000	1,031,000	1,031,000	1,031,000	1,031,000
Savings - TOM/12%	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Total Savings	4,201,000	4,631,000	4,631,000	4,631,000	4,631,000
FR savings delivered					
FR Savings Planned	75	75	75	75	75
TOM/12% saving delivered					
Vacancies	493,163	493,163	493,163	493,163	493,163
Flexible Retirement	-	-	-	-	-
Other Pay Initiatives	13,000	13,000	13,000	13,000	13,000
Non-pay initiatives	3,477,000	3,477,000	3,477,000	3,477,000	3,477,000
Cost incurred via backfill	-	-	-	-	-
Total Savings	3,983,163	3,983,163	3,983,163	3,983,163	3,983,163
Total Unidentified (or Overachieved) Savings	217,837	647,837	647,837	647,837	647,837

Breakdown of 21/22 Savings

- Vacancies
- Flexible Retirement
- Other Pay Initiatives
- Non-pay initiatives

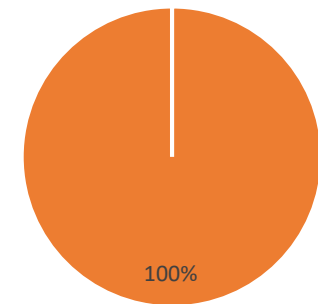


Comptroller and City Solicitor

Summary Table	21/22	22/23	23/24	24/25	25/26
Savings - FR	375,000	375,000	375,000	375,000	375,000
Savings - TOM/12%	101,000	101,000	101,000	101,000	101,000
Total Savings	476,000	476,000	476,000	476,000	476,000
FR savings delivered					
FR Savings Planned	-	-	-	-	-
TOM/12% saving delivered					
Vacancies	101,000	100,000	100,000	100,000	100,000
Flexible Retirement	-	-	-	-	-
Other Pay Initiatives	-	-	-	-	-
Non-pay initiatives	-	-	-	-	-
Cost incurred via backfill	-	-	-	-	-
Total Savings	101,000	101,000	101,000	101,000	101,000
Total Unidentified (or Overachieved) Savings	375,000	375,000	375,000	375,000	375,000

Breakdown of 21/22 Savings

- Vacancies
- Flexible Retirement
- Other Pay Initiatives
- Non-pay initiatives



Appendix 2

Revised Deep Dive Timetable

Category	Item	Week Commencing
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures to be presented</i>	<i>16 June 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Comptroller</i>	<i>16 June 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - City Surveyors</i>	<i>16 July 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Innovation & Growth</i>	<i>16 July 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures (all departments)</i>	<i>06 October 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report -Community and Children's Services</i>	<i>06 October 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Barbican Centre</i>	<i>06 October 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Environment</i>	<i>23 November 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - COLP</i>	<i>23 November 2021</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Chamberlain's</i>	<i>Jan - TBC</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Deputy Town Clerk</i>	<i>Jan - TBC</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - GSMD</i>	<i>Jan - TBC</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Chief Operating Officer</i>	<i>Feb - TBC</i>
<i>E&P Deep Dive</i>	<i>E&P Deep Dive Savings Report - Overall Figures (all departments)</i>	<i>Feb - TBC</i>

Appendix 3 – Original Deep Dive Timetable

Meeting Date	Proposed Departmental Deep Dive
<i>27-May</i>	<ul style="list-style-type: none"> <i>Overall figures to be presented and template for departmental deep dives</i>
<i>07-Jul</i>	<ul style="list-style-type: none"> <i>Innovation & Growth</i> <i>City Surveyors</i>
<i>06-Oct</i>	<ul style="list-style-type: none"> <i>Update on overall figures (all departments)</i> <i>Guildhall School of Music & Drama - update as requested</i> <i>Barbican Centre - update as requested</i>
<i>23-Nov</i>	<ul style="list-style-type: none"> <i>Update on all 3 schools</i> <i>City of London Police</i>
<i>January date TBC</i>	<ul style="list-style-type: none"> <i>Chamberlain's</i> <i>Deputy Town Clerk</i>
<i>February date TBC</i>	<ul style="list-style-type: none"> <i>Chief Operating Officer</i> <i>Update on overall figures (all departments)</i>