

Committee: Establishment Committee – for information	Date: 8 September 2021
Subject: Securing target operating model savings: 2021/22 progress, update on	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
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Summary

This report updates on the achievement of Target Operating Model Savings as departments progress through the process. The Target Operating model (TOM) forms part of the overall flight path of savings to be achieved in the medium-term financial plan.

The TOM savings target agreed by the Court of Common Council in 2020/21 was £4.5m, this report illustrates 72% (£3.3m) of the TOM target is achievable to date, of which 18% (£0.8m) are permanent savings. As remaining departments go through the TOM process, deep dives and bilateral meetings permanent savings will be confirmed and updated to this committee.

Recommendation

- Members are asked to note the report.

Main Report

Background

1. To ensure the sustainability of the Medium-term Financial Plan, it is essential to ensure the 'flightpath' savings remain on track, in particular:
 - Delivery of the Fundamental Review savings approved by Policy and Resources Committee; and where proposals have been moved out of year due to delays caused by COVID impacts;

- Delivery of the 12% savings; part of which are savings from the TOM, with scrutiny of any overspending committees or departments/institutions; and
 - COVID impacts on main income streams and service delivery, in particular from lower rental income and volatility on retained business rates.
2. Although overall scrutiny is being provided by the Efficiency and Performance Sub Committee, 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.
 3. 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. 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.
 4. 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 £16m (£7m City Fund, £4m City's Cash and £5m Guildhall Admin) included the TOM savings and is a permanent reduction in resource levels.
 5. 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 overwhelmingly 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 this Committee.
 6. The TOM target is therefore a range, with a minimum value of £4.5m.
 7. 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.

Update on TOM savings

8. Table 1 below provides a summary of the TOM savings for the departments that have either gone through the process, where permanent year on year savings are achieved and delivered (full year implementation in 2021/22), against those departments yet to go through the process achieving one-off savings in year (2021/22) by holding vacancies. Permanent savings total £0.8m, against the total £3.3m deliverable to date. Taking into account the cost of backfill £0.3m (as

departments finalise their restructure), this report illustrates a snapshot in time delivering 70% net savings of the original TOM target in 2021/22.

Table 1

Department	TOM savings delivered in 2021/22	Permanent (on-going) Savings	One-off Savings	Full year implementation	Overall 12% savings in 2021/22
	£000's	£000's	£000's		£000's
Barbican	-	-	-	2023/24	0
Built Environment	668	-	668	2022/23	4,456
Chamberlains	911	-	911	2022/23	1,324
Chief Operating Officer	838	-	838	2022/23	2,146
Children and Community Services	196	196	-	2021/22	1,451
City of London Freeman's School	-	-	-	2021/22	105
City of London School	-	-	-	2021/22	227
City of London School for Girls	-	-	-	2021/22	91
City Surveyors	471	471	-	2021/22	3,463
Comptrollers and City Solicitors	101	101	-	2021/22	101
Innovation & Growth	-	-	-	2021/22	950
Mansion House	48	48	-	2021/22	48
Remembrancer	-	-	-	2021/22	200
Town Clerk	28	-	28	2022/23	1,609
Total TOM savings	3,261	816	2,445		16,171
Less cost of backfill	(301)				
Net TOM Savings	2,960				
TOM Target	4,500				
GAP	(1,540)				

Note:

- 1) Whilst the overall 12% savings target is confirmed, as departments confirm their restructure allocation of savings will be reallocated appropriately.
- 2) Due to COVID impact, the Barbican was permitted to defer its 12% savings until after 21/22 (an additional £7m of funding was included in the budget). Although partial implementation is planned in 22/23, it may be 23/24 before full implementation is secured.
- 3) Green shading denotes departments have had their proposals agreed by Committee/Members under the TOM process.

Department	TOM savings delivered in 2021/22	Permanent (on-going) Savings	One-off Savings	Full year implementation	Overall 12% savings
	£000's	£000's	£000's		£000's
GSMD	443	147	296	2022/23	813

Note that Guildhall School savings are ring-fenced to the School reserves under funding agreement.

9. As majority of the departments are yet to go through the process there is a significant risk the one-off savings are diluted as departments confirm their new restructure. 18% of overall TOM target is confirmed as permanent savings against one of savings at 54% (excluding cost of backfills). Chamberlain's are working with departments to ensure on-going monthly monitoring of savings. As mentioned in paragraph five, it is not currently possible to estimate what the TOM savings will be achieved as each department has a different cost base. It is therefore vital savings are reviewed against the overall programme (12%/TOM savings) and not in isolation. Chamberlain's together with Town Clerk and HR will review and comment on proposals prior to reports going to Design Authority Board.
10. The following recommendations were also provided at the June Efficiency and Performance Sub Committee and progress is noted below:
 - Officer accountability mechanisms to be spelt out – *included in budget setting and bilateral guidance sent to Chief Officers;*
 - Presentation of savings to clearly identify TOM, remaining 12%, Fundamental Review and any other unidentified savings – *update to E&P Sub Committee in October;*
 - Barometer chart of 12%/TOM savings, clearly outlining savings that are delivered against those identified – *update to E&P Sub Committee in October;*
 - Challenge on Chief Officers before reports are taken to Design Authority Board – *as per section 9 of this report.*

Bilateral meetings in the Autumn

11. Bilateral meetings between Service Committee Chairmen and the Chair(men) of Policy and Resources and Finance and their Deputies will commence in September and run through to mid-October. It is expected that conversations will cover 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.
12. Outputs from the bilateral meetings regarding the TOM will be included in future tracker reports to this Committee.

Costs incurred in delivering the target operating model

13. 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 against budget. There has been no change from the June report.

Table 2

TOM costs	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Budgets	0.155	6.42	5.39	11.963
TOM Programme Team	0.094	1.390	1.212	2.696
Termination costs	-	0.313	0.547	0.860
Flexible retirements	-	2.800	-	2.800
Other non-pay	0.040	0.131	0.096	0.267
Total Costs	0.134	4.634	1.855	6.623
Underspend	0.021	1.787	3.532	5.340

14. £3.9m and £1m budget was set aside for redundancy costs and flexible retirement respectively for 2020/21, with an underspend of £1.787m. Approval to carry forward this sum into the 2021/22 budget has been granted and is included in the analysis above. It is expected that these sums will be committed as and when departments go through their transition.
15. For the financial year 2021/22 the costs remain within budget.

Progress against savings flightpath for Establishment Committee's revenue budget

16. For the departments that report to the Establishment Committee, £903k has been allocated against the 12%/TOM savings target (see appendix 1). These

departments are yet to go through the TOM process and deep dives; however, the bilateral meetings will be an opportunity to further explore where these savings will be delivered, and the outcomes reported back to this Committee.

Conclusion

This paper sets out, for Member information: progress on TOM savings achieved to date, plus progress of 12%/TOM savings against departments that report to this Committee.

Appendix 1 – 12%/TOM savings deliverables for departments reporting to Establishment Committee.

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Appendix 1 - 12%/TOM savings deliverables for departments reporting to Establishment Committee

Establishment Committee	Overall 12% savings £000's
Corporate HR	326
HR Training	23
Occupational Health	37
Project Management Office	33
Establishment	101
Town Clerk's Office	358
Corporate Services	25
Total TOM/12% savings	903

Note: Whilst the overall 12% savings target is confirmed, as departments confirm their restructure allocation of savings will be reallocated appropriately.