

Committee(s): Finance Committee Corporate Services Committee Policy & Resources Committee	Dated: 21 February 2023 1 March 2023 23 March 2023
Subject: Target Operating Model (TOM) – Interim update report	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: Chief Strategy Officer	For Information
Report author: Alice Reeves Town Clerks Department	

Summary

Implementation of the Target Operating Model (TOM) continues within City Corporation, as do efforts to implement the budgetary reductions approved alongside the TOM. The interim report summarises where the TOM programme has reached as at the end of 2022, where savings have been identified, what activity is remaining, and any lessons learned to date. The TOM programme, and departmental restructures associated with this, are expected to finish by the end of 2023. This is an interim report, a final report will follow later this year.

Recommendation(s)

Members are asked to:

- **Note** that the TOM programme has not yet finished, and is anticipated to complete by the end of 2023
- **Note** that some permanent finance savings have been made, and that the 12% savings (6% for DCCS) and TOM savings are still completing in some parts of the organisation
- **Note** what the TOM programme has achieved to date, what has been delivered and where gaps remain
- **Note** any lessons learnt from the process of implementing the TOM
- **Note** this is an interim report: a final report will follow later in 2023

Main Report

Background

1. The TOM programme was approved by the Court of Common Council in December 2020. It was intended to transform City Corporation leadership and organisational structures, with the intention of enabling City Corporation to become more agile and efficient. The programme also required efficiency savings of 12% to be made (except Bridge House Estate where no savings were required and DCCS which required savings of 6%). With new structures in place once the TOM is embedded, the intention was that the organisation would be able to focus on transformational change.
2. The TOM programme was originally due to complete by the end of March 2022, however, due to the complexity and scale of the programme, this has taken longer. It is now anticipated to draw to a close by the end of 2023.
3. The original programme objectives for the TOM were set out as follows:
 - a. Ability to respond with purpose, focus and agility to challenges and opportunities
 - b. A simplified organisational structure and a reduction in management layers
 - c. Join up corporate departments and service areas to streamline our operations
 - d. Provide greater autonomy for our institutions and build on our collective strengths
 - e. Increased collaboration achieving maximum value and impact
 - f. Evaluate and improve ways of working, processes and technology, clarifying accountabilities, ownership and efficiency
 - g. Make financial savings and be on the path to achieve a balanced financial plan

Context

4. TOM programme Member and Officer governance processes were created to provide assurance, alignment and oversight. Organisational Design (OD) principles were developed and agreed to ensure the TOM Programme delivered its goals. Officer governance provides scrutiny on individual departmental restructure plans to ensure compliance with OD principles (or agree exceptions) and provide oversight of the 12% cost savings. Member governance takes place through scrutiny of departmental restructure plans by individual Committees, including agreement by Corporate Services Committee (or Establishment Committee as was) given potential workforce implications including risk of redundancy, redeployment, recruitment and equality duties. Governance mechanisms will remain in place for the duration of the programme.
5. In addition to the TOM, the Court of Common Council approved a general budgetary reduction of 12% against 2021/22 budgets, with 6% for the Department of Social Care and Children Services (DCCS). Efforts have been made across the Corporation to identify sustainable savings. The 12% budget

reductions applied to 2021/22 budgets: totalling £18m (£9m City Fund, £4m City's Cash, and £5m Guildhall Admin). Of this total £13.9m permanent savings have been realised, with a further £2.6m savings achieved through temporary measures such as holding vacancies, as departments complete their TOM.

6. To deliver the TOM four workstreams were originally set up:
 - a. Tier 1 restructure, talent & leadership
 - b. Organisational design
 - c. Enabling functions
 - d. Ways of working, institutions, behaviours & culture
7. The Tier 1 restructure has been implemented, with fewer direct reports in place of the Town Clerk and Chief Executive and a diverse senior leadership group in place. The Executive Leadership Board has been in place since 2021 as the top tier leadership group for the organisation. The Senior Leadership Forum is due to relaunch in 2023. In addition to the top tier restructure, work on developing talent and leadership objectives is planned.
8. The TOM programme also defined different areas of City Corporation as service (outward, customer-facing) or enabling (cross-cutting, support) functions, with departmental restructuring led by Chief Officers. There was no review of opportunities for hub and spoke, centralisation or conscious decentralisation of business areas.
9. The ways of working, behaviours and culture workstream focussed primarily on institutions and exploring themes such as autonomy and independence. Bridge House Estates (BHE) has become an institution, with increased independence. In practical terms this has driven down bureaucracy and increased agility, while it ostensibly retains its City Corporation identity. London Metropolitan Archives was not granted increased independence as part of their TOM process, but moved under the newly created Deputy Town Clerk Department alongside other corporate enabler teams/functions.
10. Corporate culture received limited focus as structures and financial targets were prioritised. The Senior Leadership Forum was used to help inform and steer change, but was not sustained, and progress compounded by the delay in stabilising the HR function (a pivotal driving force to both help lead and enable culture change whilst simultaneously going through the TOM) and permanent appointment of a Chief People Officer.

Current Position

11. The table below provides a high-level overview of where in the organisation TOM activity has been completed and the departments or institutions where activity is still underway, with provisional completion dates.

Area	TOM Status
Comptroller and City Solicitor's	Completed 2021
Innovation & Growth	Completed 2021
City Surveyor's	Phase 1 completed 2022; Phase 2 implemented from December 2022
Deputy Town Clerk functions	Completed 2022
Community & Children's Services	Completed 2021
Chamberlain's	Completed 2022; recruitment following implementation underway
Remembrancer's	Completed 2021
Chief Operating Officer's	Partially completed 2022, with Human Resources in implementation phase
Environment	Phase 1 completed 2022 Phase 2 midway through process with proposals agreed by Committees; staff consultation launched on 25 January; implementation to follow with completion expected mid/late-2023.
Bridge House Estates	Phase 1 completed 2022 (creation of Leadership Team), including increased autonomy; phase 2 under review, proposals expected in Q1 2023, with completion by late 2023.
City of London School City of London Girls School City of London Freemen's School	Phase 1 completed 2021 Phase 2: Proposals for shared services between City of London School, City of London School for Girls and City Junior School under development (stage 1), expected completion and implementation by September 2023.
Barbican	Phase 1 completed 2022; second phase being scoped
Guildhall School of Music and Drama (GSMD)	Completed 2022
City of London Police (CoLP)	Developing proposals for CoLP Corporate Services; anticipated completion end 2023
London Metropolitan Archive	Completed 2022

Outcomes

12. Because the TOM programme was sequenced as delivering department by department this created the perverse incentive of reinforcing silos within the organisation – opposite of what was originally intended. It is not possible to reverse or rectify this before the end of the programme given the majority of departments have already completed, but is something that will need to be considered further as part of the corporate culture and transformational change work.

13. The TOM programme was intended to create new structures and implement the OD principles from which would flow the programme objectives described above. At this point it is too soon to measure the outcomes of the programme, however, the final report will contain more context on how we measure that the organisation is fit for purpose moving forward, once the TOM is business as usual.
14. The report does not distinguish between TOM savings (staffing cost savings) and the 12% savings (general savings) as this is not possible until TOM activity is complete. An update on this will be provided in the final TOM report due in the summer. Given the change in the financial situation since the TOM savings were set out, further cost savings options and measures are being identified through the RPR programme. These are separate from TOM.
15. Perceptions on the success of the TOM vary across the organisation from highly successful delivering a new, diverse, leadership team and new departmental structures, to a disruptive process that has not achieved what it set out to do. Much is still required to meet the original TOM objectives. Some of this will not be possible to complete within the timeframe of the programme. This is noted in this paper, and will be covered in more detail in the final TOM paper due later in the year.
16. Where restructuring plans have been agreed, recruitment takes time to complete, so associated benefits of the TOM will take time to realise – in some cases beyond when the programme and its principles have become business as usual.

Proposals

17. Members of Policy & Resources Committee and Finance Committee to note the current status of the TOM programme and outstanding activities that are anticipated to complete by the end of the year. This is an interim report that covers activity to date – a final report will follow Summer 2023. Lessons learnt to date will be shared widely (where relevant).

Corporate & Strategic Implications – The TOM is delivering a more consistent and updated corporate and leadership structure for the organisation. It brings departments to a starting point to deliver transformational change, however, it does not deliver this in and of itself. The TOM has successfully delivered new leadership structures, but further work is needed for culture change to happen.

Financial implications – TOM savings are still being realised. The general 12% savings applied to budgets totalling £18m (£9m City Fund, £4m City's Cash and £5m Guildhall Admin). The TOM savings target (linked to staffing reductions) agreed by Court of Common Council in 2020/21 was £4.5m (£3m City Fund and £1.5m City's Cash). At the time this decision was made, it was not possible to estimate what the TOM savings would be and allocate a target to departments as each department has

a different cost base. The TOM target is therefore a range with a minimum value of £4.5m and is part of the overall 12% reduction totalling £18m. In addition to savings, some new and strengthened functions were proposed that required investment (e.g. EDI, Chief Strategy Officer and office of the Chair of Policy and Resources). The overall detail of the costs and savings for the TOM will not be available until TOM activity is complete – an update will be provided in the final TOM report.

Resource implications – Programme management resource ceased in March 2022, so programme support is limited to ensuring governance processes are functioning. This should not affect delivery by the end of 2023.

Legal implications - None

Risk implications – The longer the programme delivery aspect of the TOM process takes, the longer it will take for the organisation to focus on transformational change and realise the benefits of TOM.

Equalities implications – Departmental restructuring plans were required to detail EIA implications and, where relevant, PSED assessments and actions.

Climate implications - None

Security implications - None

Conclusion

18. The TOM has been a wide-ranging and complex programme transforming City Corporation structures. Most areas of the organisation have had new structures agreed and are recruiting to posts; some are due to complete during 2023. At this stage the organisation will have fully implemented the OD principles.
19. When completed, the programme will have delivered new leadership structures and coherent organisational design principles for the whole of City Corporation.
20. Cost savings linked to the TOM are still in the process of being realised, and are on track to be delivered by the end of the programme.
21. The TOM itself will not deliver culture change or transformational change – further thinking of how the success of the programme will be measured, and whether the organisation is fit for purpose will follow in the final report

Appendices

- Appendix 1 – TOM Interim Update Report

Background Papers

Previous report to Committee on this subject:
Non-Public report of the Establishment Committee - Court of Common Council – 3
December 2020 (available on request from the Town Clerk's Department)

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