

Committee(s): Policy and Resources Committee Corporate Services Committee Finance Committee	Dated: 6 July 2023 12 July 2023 18 July 2023
Subject: Target Operating Model (TOM) – final 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
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Summary

The Target Operating Model (TOM) was approved by the Court of Common Council in December 2020. It was intended to transform City Corporation leadership and organisational structures. Efficiency savings were required to be made alongside the programme. The TOM has achieved a number of outcomes: it has implemented an agreed set of Organisational Design principles relating to line management structures resulting in the restructuring of departments and institutions, refreshed the senior leadership team, created enabling (corporate) and service departments. Savings relating to the TOM are progressing successfully, however the programme has had a negative effect on staff morale.

In the interest of finalising the TOM programme to begin engagement on the development of a City of London Corporation People Strategy, and honouring the commitment to present a final report on the TOM in Summer 2023 this report is submitted to the Policy and Resources Committee prior to its submission to the Corporate Services Committee and Finance Committee.

Recommendation(s)

Members are asked to:

- **Note** this is the final Target Operating Model programme report, with a small number of areas to complete their restructuring by the end of 2023.
- **Note** that financial savings targets are close to being met, and where not yet delivered are due to be realised in the current financial year.
- **Note** the impact of the Target Operating Model programme on City of London Corporation.
- **Note** lessons learnt from the process of implementing the Target Operating Model.

Main Report

Background

1. The TOM programme was approved by the Court of Common Council in December 2020. It was intended to transform the City of London Corporation leadership and organisational structures, by aligning resources and priorities, prioritising front-line services, and enabling the organisation to become more agile and efficient. Alongside the TOM, efficiency savings of 12% were required, except Bridge House Estate where no savings were required and the Department for Children's and Community Services which required savings of 6%.
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, which involved splitting departments into service (front-line) and enabling functions (corporate) and restructuring all departments and institutions so they align with an agreed set of organisational design principles, this has taken longer. Some areas are still designing restructuring plans or are in the process of delivering agreed new structures – this activity will continue.
3. The programme did not clearly define objectives and outcomes, except for the cost savings and Organisational Design principles – these have been (or are being) implemented.
4. The interim TOM report (Finance Committee 21 February 2023, Corporate Services Committee 1 March 2023 and Policy and Resources Committee 23 March 2023) outlined the governance for the TOM and what the programme had achieved at the end of 2022. This report focuses on the impact of the programme on the organisation.

Current Position

5. The TOM has delivered several outcomes for City Corporation, including a leadership team more representative of the community it serves and more consistent line management structures and norms across the organisation as set out in the Organisational Design principles. However, there have been challenges associated with the programme and its delivery.
6. To date, the programme has fallen short of meeting its £17.04m savings target by £0.8m. However, this shortfall is due to be met through savings during the 2023-24 financial year.
7. Departments and institutions were restructured simultaneously, hampering elements of delivery, and is one of the reasons that restructuring was not

completed by March 2022 as originally anticipated. This approach also reinforced existing silos.

8. Of the four workstreams originally set up, not all were fully resourced – including that on people and culture. This is central to City Corporation being able to achieve its objectives and has now been separated from the TOM and is being taken forward as part of the People Strategy. Part of this workstream will focus on refreshing the corporate vision, values and behaviours.

Outcomes and Analysis

9. Programme-level equality impacts, metrics and other measures were not defined, detailed analysis of specific TOM impacts challenging. However, now that City of London Corporation has restructured it is in a better position to manage change. The TOM has delivered new, more representative, leadership structures and coherent organisational design principles for the whole of City Corporation. Consolidation of departments across service and enabling functions has been successful.
10. Financially, the TOM is close to achieving its targets. Annual savings from the TOM total £16.18m - this has been achieved through redundancy, flexible retirement and holding current vacancies, as well as non-pay savings. The total savings target is £17.04m, leaving unachieved savings of £0.86m. These are being addressed in 2023/24. The target for staffing costs savings was exceeded by £2.84m – reaching a total of total £7.33m
11. The TOM cost City Corporation £10.045m between 2019/20 and 2021/22 - most of this spend relates to redundancy and flexible retirement costs. There may still be further redundancy costs that are yet to be realised from those areas still implementing staff changes. During this period, costs relating to consultancy spend were £1.51m (for project and programme services provided by external providers). In addition, there are new ongoing salary costs of £1.8m mainly due to staffing changes arising from the TOM.
12. Challenges remain where no horizontal reviews of service provision took place. There are early anecdotal indications that this may be leading to duplication of work by departments. Alignment between supply and demand of corporate support functions has not yet been reached. Balancing this will take time as capacity, capability and recruitment continues - until this stabilises, it may create a drag on efficiency. Recruitment challenges in some service areas have also resulted in pockets of degradation in service for the organisation.
13. Perceptions on the success of the TOM vary; it has been disruptive to the organisation and its staff. Moving forward activity on the people strategy, organisational culture, continuous improvement and data will be key to support staff deliver objectives and create efficiency savings. The structural changes created by the TOM, together with the arrival of the new Town Clerk

and Chief Executive means that the people elements and culture change can be delivered as an integral part of business as usual.

14. Many lessons have been identified following the TOM – this will be shared widely, and should be taken into consideration when planning any future change programmes and/or by relevant teams.

Proposals

15. Members of Policy & Resources Committee, Corporate Services Committee and Finance Committee to note the status and impacts of the TOM programme - that some restructuring and cost savings activity will continue until the end of the calendar and financial year, respectively – and that there will be no more reports on the TOM.

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. 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. The TOM savings target (linked to staffing reductions) agreed by Court of Common Council in 2020/21 was £4.5m – this is the figure that has been exceeded.

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 was 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) – these are where the new ongoing staffing costs apply.

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 – A programme level PSED or EIA was not completed. However, departmental restructuring plans were required to detail EIA implications and, where relevant, PSED assessments and actions.

Climate implications - None

Security implications - None

Conclusion

16. The TOM has been a wide-ranging and complex programme transforming City Corporation structures. New structures have been agreed and implemented – or are due to do so by the end of 2023.
17. The 12% (or other agreed) cost savings are on track to be achieved by departments / institutions, noting that other cost savings initiatives are now underway given financial pressures.
18. The conclusion of the TOM programme represents an opportunity for City Corporation. The organisation has been restructured, and a new Town Clerk and Chief Executive is in post, with a vision for people and culture within the organisation that will support delivery of collective corporate goals.
19. Any lessons learnt from this TOM should be reviewed and applied in the event of further restructuring programmes being considered.

Appendices

- Appendix 1 – TOM Final Report

Background Papers

Previous report to Committee on this subject:

Target Operating Model (TOM) – Interim update report - Finance Committee 21 February 2023, Corporate Services Committee 1 March 2023 and Policy and Resources Committee 23 March 2023

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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