

Committee(s): Corporate Services Committee Finance Committee Policy and Resources Committee	Dated: 18 October 2023 8 November 2023 16 November 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 Discussion
Report author: Alice Reeves, Assistant Director Corporate Performance & Analysis	

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 several outcomes: it has implemented an agreed set of Organisational Design principles relating to line management structures, resulting in the restructuring of departments and institutions, and it has refreshed the senior leadership team and created enabling services. Departmental savings relating to the TOM have been successfully achieved against target.

The TOM has been extremely challenging for the organisation. Positive outcomes have been achieved. However, the original design of how the programme was to be delivered, and the sequencing of the programme, combined with the extent of the restructuring changes, has had profound effects on what was ultimately delivered, on staff morale and on some service delivery.

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, anticipated by the end of 2023.
- **Note** that financial savings targets in relation to the TOM savings have been overachieved against the £4.5m target, and where remaining savings against the 12% is 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, which has been shared with Chief Officers.

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. In addition, in March 2021 the Court of Common Council approved a budgetary reduction of 12% against 2021/22 departmental budgets, where efficiency savings were required, except for City Bridge Foundation (formerly Bridge House Estates) where no savings were required and the Department for Children's and Community Services which required savings of 6%.
2. At the time it was not possible to estimate what the TOM savings would be and allocate a target to departments. This was due to 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. The TOM target was therefore set at a minimum value of £4.5m and is part of the overall 12% reduction totalling £17.04m.
3. 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 significantly longer.
4. All areas have now completed the design of their restructuring plans (that are compliant with the organisational design principles). Some areas are still in the process of implementing these restructuring plans, these are likely to complete by the end of 2023.
5. 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.
6. 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

7. 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.

8. To date, the TOM savings achieved are £7.334m p.a., the target for staffing cost savings was £4.5m, this has been exceeded by £2.84m.
9. 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 and severely impacted upon staff morale.
10. 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 - staff engagement on the People Strategy is already underway.

Outcomes and Analysis

11. The TOM 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.
12. Programme-level equality impacts, metrics and other measures were not defined, so detailed analysis of specific TOM impacts is challenging. It is clear, however, that programme design and ineffective project planning exacerbated the challenges in delivering wide-ranging TOM changes. Enabling functions and support services (predominantly in HR, DITS and Chamberlains) were not scaled up to manage transition which, amongst other things, negatively impacted staff morale.
13. Despite splitting between service and enabling functions, programme activity did not involve reviewing the organisation horizontally and operationally for consistency and duplication, to align the needs of service departments with provision from the corporate centre. This is generating unintended consequences and impacting on potential efficiency gains. It is also reducing interoperability between departments that are already affected by staffing cuts. For several internally facing enabling functions (and some others) it has created uneven workloads and instability across the organisation.
14. Financially, the overall 12% savings is close to achieving its targets. Annual savings from the TOM total £7.334m - has been achieved through redundancy and flexible retirement The total 12% savings target is £17.04m, leaving unachieved savings of £0.86m. These are being addressed in

2023/24 with departments still going through their TOM. These savings are permanent and delivered on an annual basis.

15. The TOM cost the 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 p.a. mainly due to staffing changes arising from the TOM, of which have been resourced through reprioritisation of existing budgets. Of the £10.045m total costs, £8.245m are one-off costs to the Corporation.
16. Many lessons have been identified following the TOM. These have been shared with Chief Officers and should be taken into consideration for any future change programmes. Now that City of London Corporation has restructured it is in a better position to manage change.

Proposals

17. 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 – A small balance of the 12% savings are still being realised, to be delivered in 2023/24. The general 12% savings applied to budgets totalled £17m. 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 £17m. 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

18. 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 be implemented by the end of 2023.
19. The 12%, or other agreed, cost savings are on track to be achieved by departments and institutions, noting that other cost savings initiatives are now underway given financial pressures.
20. The TOM programme had profound impacts on staff morale. 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.
21. 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

None

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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