



Northwards Housing
North Manchester's Council Homes

ANNUAL EFFICIENCY STATEMENT

2008-09

**NORTHWARDS HOUSING
ANNUAL EFFICIENCY STATEMENT**

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1. Overview

1.1. Statement of Objectives

- 1.1.1. **Northward's Mission** is to build on the trust of our tenants by delivering an excellent standard of housing service that residents deserve and desire. The service will be successful, responsive and driven by our 'can-do' outlook and with respect for each other and with commitment to social housing we will, together with others, help to renew North Manchester.
- 1.1.2. Our **Values and Objectives** take this further, outlining ways in which we will deliver a continuously improving, high quality, and high value housing service that is focussed on tenants as well as being a committed and accountable organisation for our employees and others.
- 1.1.3. In establishing the organisation we have embraced a theme of Value for Money as part of our initial objectives and are working out ways to make this real and live through the organisation, its staff and our services. Our specific Objective on Value for Money makes this clear:
- To provide sound financial management, and to ensure that we offer excellent Value for Money to our customers.
- 1.1.4. One such expression of this objective is our Team Improvement Plans which aim to help individuals; teams and ultimately, the organisation to improve and develop.
- 1.1.5. Underpinning these plans is the development of the **Value for Money Strategy** and the **Annual Efficiency Statement**. However we know that efficiency (and economy) is only one part of the service improvement required and that it goes together with effectiveness in our thinking. To maintain a high quality service and continuously improve this is something to which we are committed.
- 1.1.6. To lead on this area of work a **Value for Money Project Group** has been established from teams across the organisation to coordinate efficiency and identify value added projects, as well as to look at best practice and to deliver training. The focus to date in the Group has been around how the organisation might develop a Value for Money culture and how this can be embedded.
- 1.1.7. As well as this work, Northwards has reviewed its **budgeting process**; examining costs in the 'back office' with the aim of refocusing investment in tenant facing services.
- 1.1.8. This has been done primarily to ensure that the Mission and Objectives of the organisation are achieved, by investing in the services that are most important to tenants. The 'back office' and its systems have not been ignored, since they facilitate the services provided, but the process has allowed resources to be channelled to

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where they have the most impact on service delivery to tenants and customers.

- 1.1.9. An early decision was taken to join the **Housemark** benchmarking club. This is helping to further develop the measurement of performance and allow for sharing of experiences with other landlords, both of similar size and others in the North West.
- 1.1.10. In order to fully understand the Housemark Benchmarking process, the financial plan has been further developed to drive both actual and forecast costs through the model to get behind the cost per unit published data.
- 1.1.11. Northwards has a developed process for **non-building** procurement to run alongside its main **building procurement** contracts. A strategy is in place that includes a review of different methods of procuring supplies, together with a consideration of whether any procurement clubs, through the Council or with others (like Procurement for Housing) might be of use.
- 1.1.12. 2007 also saw the beginning of a piece of work on Shared Services together with five other ALMOs in the North West. Progress in this area, together with others, around joint procurement and/or efficiencies in services should be seen from 2009 onwards.
- 1.1.13. The **Service Level Agreements (SLA)** in place with the Council also form a major part of the cost base for the organisation and these are continually being monitored and reviewed.
- 1.1.14. Following the work since 2006 on 34 SLAs,
 - six have been brought to an end, either by the Council or the organisation;
 - seventeen have been confirmed as appropriate for the time being but are being kept under review.
 - eleven are in relation to on-demand services where Northwards pays only if it incurs the service.
- 1.1.15. Our overall approach, therefore, to efficiency and the gains that flow from this, is to see it as part of what we are already achieving. An improvement in performance, highlighted through ongoing monitoring of the **Performance Management Framework** is clearly linked to our desire to provide a high quality service and we shall be striving for improvement in key performance measures.
- 1.1.16. And efficiency gains allow us to do more within existing resources. Through our **Management Agreement** with the Council we aim to reinvest efficiencies in additional and new services to tenants and customers.

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- 1.1.17. The Resource Pool, established to allow the funding of additional services for tenants and communities during the year, is the vehicle through which efficiencies and surpluses are reapplied. The Pool and its decision making process allows a full audit trail of additional spending during the year.
- 1.1.18. Whilst the words and agendas change, the culture of the **three E's – economy, efficiency and effectiveness**, and the balance between them, is at the heart of all we do.

1.2. Self Assessment

Capital Works

In establishing the ALMO, the Council worked from the beginning to providing value in the procurement exercise for the Capital Works programme to deliver our promises on the Decent Homes Standard.

The model for **Manchester Working** to deliver repairs and planned maintenance services and two thirds of the Decent Homes programme was established in August 2006. Framework Agreements with **IMPACT Manchester** covering the remaining improvement work and contracts were signed in February 2007.

Through these programmes, the organisation has committed itself to procuring contracts in an efficient **partnering** manner. However, as Northwards is the Council's agent in delivering the capital programme, efficiency gains in this area will be those of the Council rather than of the organisation itself. Savings and efficiencies in repair expenditure will be available for Northwards to reinvest.

Management and Maintenance

With a focus on the service delivery to tenants, and the majority of expenditure being in these areas, our key efficiencies need to be around our management and maintenance operations with a drive on performance in conjunction with increased investment in certain priority areas.

Through the services that are provided directly, and those procured through the Service Level Agreements, we need to clearly link investment in services with our Performance Management Framework to deliver efficiencies and service improvements. We will work through the **Area Panels** and the **Resident Involvement Strategy** to listen to tenants' views and examine how we might more effectively and efficiently provide quality housing services in the future.

Some areas are already highlighting potential efficiencies through bringing services in-house and working through specialist teams. With Team Improvement Plans as well, we will keep all areas of the

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business under review to ensure all parts are contributing to the overall Mission and Objectives.

Overall (whole organisation)

The overall desire to redirect the balance of costs from the 'back office' to tenant facing services should result in efficiencies in central overheads as well as a questioning culture around what added value is being delivered for additional overhead expenditure.

However, there are many areas where the definitions of whether something is a central overhead or a general management cost are not always clear. Economies and efficiencies have generally been sought across a wide variety of headings in order to maintain overall costs per unit and keep operating costs aligned with income.

1.3. Monitoring

- 1.3.1. It is our intention to embed the monitoring of efficiency gains explicitly alongside performance monitoring and measurement.
- 1.3.2. With the **Performance Management Framework**, together with the use of the Housemark performance indicators, additional performance measures will be tracked on a quarterly basis.
- 1.3.3. In addition, the **financial business plan** and **management accounts** have been devised to allow for the tracking of efficiency measures.
- 1.3.4. The development of future efficiency targets and the overall delivery is with the whole organisation and is about developing a culture of efficiency and value that makes everyone ask the question about the work that they do and the activities that they are involved in.
- 1.3.5. The development of this culture is a key part of the work being undertaken by the **Value for Money Project Group**.
- 1.3.6. The key point of monitoring will be through the **Resource & Audit Sub-Committee** and at **Executive Management Team**, but it is hoped that all Managers and their teams will continue to monitor their performance with efficiency, as well as effectiveness, in mind.
- 1.3.7. Work is ongoing to look at Value for Money with tenants and through this work variations in the efficiency strategies will no doubt be identified. It is envisaged that discussions might take place with focus groups and other tenant forums about the priority for spend and how resources might be allocated.
- 1.3.8. The key point in all the monitoring and involvement for Northwards, by both staff and tenants, is the preparation of our annual **Business and Delivery Plan** and the financial plan that sits alongside this.

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1.3.9. We shall endeavour to reflect elements of the efficiency agenda throughout these documents as the delivery of this work must be a key part of our planning for the future, alongside effectiveness and improving on a high quality service to individuals and communities.

2. Looking Forward

2.1. Efficiency Gain Targets

2.1.1. Our efficiency gain targets for 2008-09 are as shown in the following table:

	2008-09 %	2008-09 £'000
Efficiency gains		
Capital works	2.00%	396
Management and maintenance	3.33%	657
Overall (whole organisation)	0.80%	160
	6.13%	1,213

2.2. Efficiency Strategy

2.2.1. Through staff teams and organisational plans there is a focus already in place on continually improving the service delivery to tenants. The **Team Improvement Plans**, which collectively form the organisation's overall **Service Improvement Plan**, are already evidencing action plans for this work. This is particularly demonstrated through the **Service Level Agreement** reviews and the capital programme discussions.

2.2.2. The **Housemark Benchmarking** work for 2007-08 was completed in July 2008. This is allowing further assessment of the organisation's standing compared with other ALMOs and a clear costing of various activities. It is anticipated that this process will pose as many questions as answers, but will allow a better assessment and comparison of the costs of service delivery. This process will continue year-on-year.

2.2.3. The **Performance Management Framework** is a key part of Value for Money monitoring and clearly ties in with the overall efficiency objectives and agenda. The Value for Money Project Scorecard picks up the efficiency measures and ensures their reporting to Executive Management Team and the Board.

2.2.4. The responsibility for monitoring efficiencies rests with the Director of Business Services, with other Directors and Senior Managers having personal responsibility for the individual service areas. If and when cost responsibilities are devolved further, then efficiency monitoring will be delegated also with the involvement of teams.

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2.2.5. The overall Statement and Strategy are published to staff and tenants through the Intranet and Internet. Through the VfM Project Group, the plans are discussed with teams and are brought to the attention of the **Area Panels**. Associated discussions about performance management and improvements to service delivery are already on going.

2.3. Efficiency Actions

2.3.1. In order to deliver the components of the efficiency gain targets set out in 2.1.1 above, the following areas are being focussed upon:

Capital Works

Over and above previous efficiencies in the costs charged to the Capital Programme, further gains are planned for 2008-09.

The development of a new costing model and workforce planning tool will allow a proper phasing down of the establishment in line with the funding together with the fixed-term contracts coming to an end.

A proper review of charge out rates will be carried out to ensure costs are properly recovered on the programme and charged as appropriate to third parties.

The continuing reviews **should result in overall efficiencies to Northwards of £396,000 or 2.0%**.

Northwards will contribute to the efficiency gains on capital works through effective management of the contracts, monitoring of the programme delivery and working with partners to identify innovation and best practice. These efficiencies are recorded separately through the Value Engineering group and performance framework for IMPACT Manchester.

Management and Maintenance

The drive for performance improvement in the delivery of tenant facing services has a high profile in the organisation at present and a number of steps already taken should allow efficiency gains to be generated in this area.

A number of **Service Level Agreements** are still under continual review for quality and value. Whilst the overall value savings of the terminated and reviewed SLAs are probably around **£100,000 (0.5%)**, some additional costs are being incurred in replacing these services in other ways.

The key efficiency for the year is in **Repairs and Maintenance** where reassessed budgeted spend shows a £669,000 or 3.4% efficiency against 2007-08.

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It is envisaged that not all this efficiency based on the budget will be realised in the year as any saving of this size would allow for additional reinvestment and environmental works to be undertaken. It is planned however that some of the efficiency should accrue to the organisation as a whole and a target of **£393,000** or **2.0%** is planned.

The focus on **voids** continues and targets for a more effective service and improved outcomes are still planned. The planned improvement is a further reduction in void turnaround times to 42 days which should result in further savings accruing to the Council of **£164,000 (0.83%)**.

The overall costs of Management and Maintenance, flexed to reflect volume changes and quality improvements show efficiencies of £657,000 (3.33%).

Overall (whole organisation)

Through the assessment of **central overheads** we believe that efficiency gains continue to be deliverable, particularly through a proper assessment of back-office costs.

For 2008-09 a number of reviews are being implemented that should make the back office services more efficient.

These include an **Insurance** review, a project to bring the **ICT network** in-house, a review of **Stationery** supplies, negotiations over **Business Rates** and a full review of our **Premises**.

The **Human Resources** team structure is also being reviewed following on from successful reviews in ICT and Business Improvement.

Reviews of the remaining Service Level Agreements will continue with a major change in the **On Call** arrangements planned from April 2009.

Work continues on the **Civica** housing management computer system with further projects being developed through 2008-09. The Anti Social Behaviour module and final stages of the Asbestos interfaces should be implemented and the Data Warehouse completed. The development of handheld technology solutions may well come on line during the year.

The overall costs of the whole organisation, flexed to reflect volume changes and quality improvements show a cashable, recurring efficiency for reinvestment of £160,000 (0.8%).

2.4. Service Standards and Delivering Objectives

- 2.4.1. The efficiency gain targets and Value for Money approach adopted by Northwards have been developed on the basis that our objective of

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maintaining, and improving, a high quality service will not be compromised.

- 2.4.2. The main driver for efficiency gain, as shown above, is improved performance and services, rather than reduced costs although there are elements of the latter. The need to improve performance, as set out in this document, has shaped our overall approach to the delivery of efficiency gains.
- 2.4.3. Despite this, however, cost savings will not be ignored and each annual financial planning process will ensure that pressure is maintained, particularly on commodity and central overhead costs, to demonstrate value.
- 2.4.4. Performance measures will be used to track the implementation of service standards and to demonstrate that efficiency gains have not lead to a reduction in quality.

3. The Backward Look

- 3.1. The target for efficiency gains for **2007-08** was **4.1%**. In the event, not all the specific areas covered within the plan resulted in efficiencies due to particular circumstances.
- 3.2. Progress against specific items identified in the previous year was as follows:

- a) **Agency Staff on the Capital Programme** was planned as 1.2% (£240,000) efficiency by moving the large number of agency staff working on Home Improvements onto fixed-term contracts. This move also allowed resource planning for the future down-sizing of the Capital Programme to take place.

This efficiency in the end amounted to **£467,000 (2.35%)**. This is cash recurring although as the programme reduces the cost will diminish also. The saving has allowed for lower fees on the programme allowing more direct work to be done with the resource.

This efficiency is not picked up by the overall cost assessment as the costs of the programme are recharged to the Capital Programme.

- b) **Void performance** plans were for £273,000 (1.4%) cash efficiency through improving turnaround times. Whilst the benefit of this saving would accrue to the Council discussions would start on an incentive payment mechanism for a sharing of the saving.

The end of year figures showed efficiency and saving of **£294,000 (1.5%)** with rent loss improved to 2.4% and turnaround times reduced to 65 days. It is predicted that this performance improvement will continue through 2008-09.

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- c) **Organisational** costs including planned efficiency gains on Service Level Agreements were planned at £286,000 (1.45%) This included an inbuilt efficiency within the budget for 2.4% savings on the SLAs during the year.

The overall assessment of costs from the final accounts for 2007-08 shows an efficiency of **£517,000 (2.6%)** against 2006-07. Not all of this will be a recurring gain as the capacity within the budget and the resource pool will be used to further invest in services.

- 3.3. The efficiency gains claimed therefore for 2007-08 are as follows:

	2007-08 %	2007-08 £'000
Efficiency gains		
Capital works	2.35%	467
Management and maintenance	1.49%	294
Overall (whole organisation)	2.60%	517
	6.44%	<u>1,278</u>

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AES ELEMENT	Backward Look				Forward Look		
	Actual 2006-07	Adjusted Baseline 2006-07	Actual 2007-08	Efficiency Gain (+) / Loss (-) 2007-08	Adjusted Baseline 2007-08	Budget 2008-09	Efficiency Gain (+) / Loss (-) 2008-09
COST							
SLA Overheads							
Finance	31,303		14,752			16,181	
ICT	456,756		345,087			386,500	
Publications, Communications and Web	169,665		83,366			109,576	
On-Call	821,773		850,923			875,324	
Legal	159,356		27,162			50,000	
Efficiencies	-		-			-	
SLA Overheads	1,638,853	1,715,935	1,321,290	394,645	1,357,048	1,437,581	(80,533)
							-0.41%
Direct Overheads							
Directorate and Governance	680,651		914,660			753,001	
Finance	541,787		477,125			502,098	
Human Resources	272,237		278,530			359,471	
ICT	215,574		290,944			258,636	
Health & Safety	35,094		(24,661)			(136,303)	
Business Improvement	524,461		459,778			483,327	
Direct Overheads	2,269,804	2,376,563	2,396,376	(19,813)	2,461,230	2,220,230	240,999
							1.22%
LA Social Housing							
General Housing Management	3,807,287	3,986,361	3,772,357	214,004	3,874,449	3,951,096	(76,647)
Special Housing Management (caretakers, laundries)	1,108,360	1,160,491	1,223,333	(62,842)	1,256,440	1,274,112	(17,671)
Responsive and Cyclical Maintenance	10,344,694	10,831,251	10,962,254	(131,003)	11,258,929	10,589,815	669,114
Capital Works	425,422	445,431	323,354	122,077	332,105	(63,812)	395,917
LA Social Housing	15,685,763	16,423,534	16,281,298	142,236	16,721,924	15,751,211	970,713
							3.38%
							2.00%
Other LA Activities							
Supporting People (Retirement Housing)	(309,023)		(137,515)			(164,511)	
Neighbourhood Wardens	(24,623)		(7,438)			318,862	
Regeneration	7,807		4,209			15,686	
Other LA Activities	(325,839)		(140,744)			170,037	
Efficiency reinvestment						224,450	
TOTAL	19,268,581		19,858,220	517,068	19,803,509		1,131,180
				2.60%			5.71%
Income							
Contract fee	(19,596,469)		(19,623,492)			(19,674,700)	
Bank interest	(70,039)		(190,929)			(156,000)	
SURPLUS	(397,927)		43,799			(27,191)	

UNITS	12,535		12,521	(0.11%)		12,393	(1.02%)
RPI	195.0		204.4	4.82%		212.1	3.77%
Agency staff on the Capital Programme	1,193,703	1,249,848	782,947	466,901	2.35%		
Void performance	1,223,363		928,865	294,498	1.48%		
TOTAL EFFICIENCIES				1,278,467	6.44%		