



Report to:

Northwards Housing Board

14 June 2006

Item No:

10b

Title:	Annual Efficiency Statement		
Date:	30 May 2006		
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Confidential:	No		
For: (Please tick action required)	NOTING	DISCUSSION	APPROVAL √

PURPOSE OF REPORT

To present an Annual Efficiency Statement for Northwards for approval and forwarding onto Manchester City Council to be incorporated in their monitoring of Efficiency Gains.

RECOMMENDATION

The Board are asked to approve the Annual Efficiency Statement for 2006-07.

IMPLICATIONS

Equality & Diversity:	None directly
Financial:	Efficiency gains contribute to improved financial performance or reallocation of resources
Staffing:	None directly
Decency Target:	None directly
Governance:	None directly
Risk Assessment	Not a primary risk area

Equality & Diversity Implications (Please tick where relevant):

BME	<input type="checkbox"/>	Lesbian/Gay/Bisexual/Transgender	<input type="checkbox"/>
Elderly	<input type="checkbox"/>	Single Parents	<input type="checkbox"/>
Young	<input type="checkbox"/>	Domestic Violence	<input type="checkbox"/>
Disability	<input type="checkbox"/>	Alcohol / Drug Mis-users	<input type="checkbox"/>

Consultation/Consideration:

	Yes, No or N/A:	Name:	Date:
Sub-Committee:	Yes	Resource & Governance	23 May 2006
Area Panel:	N/A		
Ward Councillors:	N/A		



ANNUAL EFFICIENCY STATEMENT

2006-07

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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.
- 1.1.4. One such expression of this objective is our Team Improvement Plans which aim to help individuals; teams and ultimately, the organisation 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 been through 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 support the services provided, but the process has allowed resources to be channelled to where they have the most impact on service delivery.

- 1.1.9. An early decision was taken to join the Housemark benchmarking club. Over the next few months this should further improve the measurement of performance and allow for sharing of experiences with others, both of similar size and others in the North West.
- 1.1.10. Northwards is developing processes for non-building supply procurement to run alongside its main building procurement contracts. A strategy is being drawn up that will include a review of different methods of procuring supplies together with a review of whether any procurement clubs, through Manchester City Council or with others (like Procurement for Housing) might be of use.
- 1.1.11. The Service Level Agreements (SLA) in place with Manchester City Council also form a major part of the cost base for the organisation and these are in the process of being formally monitored and reviewed. A timetable has been drawn up and a methodology developed for assessing both the cost and value of the service being reviewed. Following this process, there will be confirmation whether or not this is a service that Northwards wishes to continue to receive from the Council and if so, at what cost.
- 1.1.12. Our overall approach, therefore, to efficiency and the gains that flow from this, is to see it as part of what we are already trying to achieve. 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.
- 1.1.13. And efficiency gains allow us to do more. Through our Management Agreement with Manchester City Council we aim to reinvest efficiencies in additional and new services to tenants and customers.
- 1.1.14. 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, Manchester City Council has been working 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 a Joint Venture Company to deliver repairs and maintenance services and two thirds of the Decent Homes programme has now been agreed and Framework Agreements to cover the remaining improvement work and contracts are in the process of being agreed. There is a further period of two or three months to negotiate the detail of the contracts before work actually commences.

Through these programmes, the organisation has committed itself to procuring contracts in an efficient partnering manner. However, as Northwards is not directly responsible for the spend on the capital programme, although it does manage it on the Council's behalf, efficiency gains in this area identified will be those of the Council rather than of the organisation itself. Savings 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 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 look at 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 business under review to ensure all parts are contributing to the overall Mission and Objectives.

Commodities

Commodity expenditure, aside from central overheads, is not a hugely significant area of expenditure for Northwards.

Work is due to be undertaken on the cost of utility service contracts and this will continue to be monitored in the light of the current climate for fuel price rises.

Telecommunications are already under review through the Service Level Agreement contract with the Council and will continue to be monitored. The mobile phone contract is due for review in 2007.

Insurance is also a relatively low spend area for Northwards although, as with all areas, this will be kept under review.

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 & Governance 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 Plan and the financial plan that sits alongside this. We shall endeavour to reflect elements of the efficiency agenda throughout this document 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 2006-07 are as shown in the following table:

	2006-07 %	2006-07 £'000
Efficiency gains		
Capital works	-	-
Management and maintenance	1.29%	307
Commodities	-	-
Overall (whole organisation)	1.41%	338
	2.70%	645

2.1.2. In measuring our efficiency gains we have assessed the period to 31 March and will align our performance indicators with this date.

2.1.3. It has been difficult to match financial cost data prepared to a period-end for a three and a half month accounting period at which the performance indicators are measured but work has been done to ensure as much consistency as possible.

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, together with the organisation's overall Service Improvement Plan, are already demonstrating 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 preparation work will be completed by early June 2006. This will then allow an 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.

2.2.3. The Performance Management Framework is a key part of the monitoring and clearly ties in with the overall efficiency objectives and agenda. In time, the efficiency measures identified will be added to the performance monitoring to ease the reporting through Sub-Committee. The reporting will be picked up by Executive Management Team as part of the overall framework.

2.2.4. The responsibility for monitoring efficiencies will rest with the Director of Business Services, with other Directors and Senior Managers having personal responsibility for the individual areas. If and when

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cost responsibilities are devolved further, then efficiency monitoring will pass also with the involvement of teams.

2.2.5. Key milestones following the production of this Statement will be a six month report at 30 September 2006 and a final report at 31 March 2007. Some monthly or quarterly reporting on performance will take place as at other period ends.

2.2.6. The overall Statement and Strategy are being published to staff and tenants and will be discussed in teams and 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

The organisation's ongoing efficiency gains will include a contribution to the capital works efficiencies procured through the Joint Venture Company and Framework Agreements.

However, given that the capital expenditure will be accounted for through Manchester City Council itself and will not pass through Northwards, the efficiency gains arising will not be identified here in order to ensure that there is no double counting.

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.

Management and Maintenance

	2006-07 %	2006-07 £'000
Management and maintenance		
Service Level Agreements	0.42%	100
Void performance	0.24%	57
Day to day repairs	0.42%	100
Comino ICT system	0.21%	50
	1.29%	307

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.

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- a) Through the **Service Level Agreements (SLA)** we assess that efficiency gains of at least £100,000 (0.42%) are possible from an initial review (non-recurring). Areas have already been identified where there might be a more efficient way of procuring certain services. This target does not prejudice the formal SLA review process where value, as well as cost, will be assessed. It is also anticipated that it can be demonstrated that some SLAs provide very good value for money and efficient services.
- b) **Void performance** is an area that Northwards has already identified for an improvement in performance and measures are already in place to focus on this area. A 5% improvement in performance (per the Performance Management Framework target) will contribute an efficiency gain of £57,000 (0.24%) (recurring).
- c) There are a number of performance measures on **day to day repairs** where improvements in performance have been identified as well as gains through the procurement exercise. An overall 1% improvement in performance and cost will deliver efficiency gains of £100,000 (0.42%) (recurring).
- d) The introduction of **Comino ICT system** in October 2006 will result in a number of efficiencies after investment through technological solutions and improved processes. The full year (recurring) efficiencies are estimated at £125,000, but given that the full effect will not be seen until part way through the year, only £50,000 (0.21%) of efficiency gains are planned for 2006-07.

Overall (whole organisation)

	2006-07 %	2006-07 £'000
Overall (whole organisation)		
Sickness absence	1.04%	250
Establishment	0.20%	48
Operational costs	0.17%	40
	1.41%	338

Assessing the costs of central overheads we believe that efficiency gains are deliverable particularly through a proper assessment of the staff establishment costs.

- a) In improving performance over **sickness absence** with the use of effective staff management and occupational health we are aiming for a 3% improvement. In terms of costs this should deliver an efficiency gain of £250,000 (1.04%) (recurring).

- b) In assessing the full **establishment of the organisation**, a number of temporary and agency staff are currently being used. Once the Audit Commission Inspection is over some of these positions will be fully assessed and it is envisaged that there may be some readjustment in the establishment. It is currently estimated that this efficiency gain will amount to around £48,000 (0.2%) (recurring).
- c) Further efficiency gains are envisaged through the year against budget approvals once the true **operational costs of services** are known. A number of savings against budget are envisaged where budgets may have been identified as areas for possible rather than planned spend. It is difficult to quantify this area until a few months actual results are known, but a target of £40,000 of efficiency gains (0.17%)(non-recurring) has been set.

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 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. With no previous year comparative data, it is not possible to look back and assess delivery on target efficiency gains from the previous year.
- 3.2. Manchester City Council set efficiency gain targets for 2005-06 of £395,000 through the development of procurement strategies through partnership frameworks and consortia and the joint procurement of IT systems for new housing organisations, including Northwards.
- 3.3. The work on the Joint Venture Company and Framework Agreements has been a central part of this target delivery in the past year and Northwards has contributed towards its delivery. Through consequent procurement and monitoring, Northwards will ensure that the efficiency gains continue to accrue.
- 3.4. Northwards is also contributing resources in the form of time to the ICT project in Housing with the procurement and implementation of Comino. With this implementation in October 2006, efficiencies should accrue from the improved system, reporting and the focus on procedures and workflow.