



Your Homes
Newcastle

Efficiency Strategy

June 2007

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Foreword

Your Homes Newcastle manages around 32,000 properties throughout Newcastle upon Tyne. We have been operating since April 2004 and our expenditure totals around £200 million per year.

As a “2” star ALMO the government awarded us with £346 million to meet the costs of making our homes decent.

Value for money is a requirement for any successful organisation. It means better services for customers, more choice and ensures needs and priorities are met. Since our establishment in 2004 we have been focused on ensuring that we provide value for money services.

We are committed to providing excellent services to our customers and have this recognised by becoming a “3” star ALMO. We recognise the pivotal role efficiency and value for money play in providing excellent services. Efficiency gains can be reinvested to improve existing services and develop new services to ensure the priorities of customers are fully met.

This Strategy sets out our approach to delivering value for money. It is my challenge to make sure that this strategy delivers real efficiency gains that can be used to deliver better services, better housing and improved neighbourhoods.

John Lee
Chief Executive, Your Homes Newcastle

Executive Summary

1. Introduction

The Chief Executive of YHN in the foreword to this strategy makes it clear that being efficient and demonstrating value for money are requirements for any successful organisation.

2. Mission Statement, aims and objectives

Your Homes Newcastle's efficiency mission statement is to provide high quality services in a cost effective manner which will help to deliver better homes, better services and better neighbourhoods.

We have 8 objectives underpinning this mission:-

1. Optimise the efficiency and effectiveness of our in-house services;
2. Improve current procurement practices across Your Homes Newcastle;
3. Subject all Service Level Agreements to an in-depth review and ensure all Service Level Agreements are robustly monitored;
4. Subject all existing contracts to a periodic review to ensure value for money is maintained;
5. A strong value for money culture;
6. Maximise charging and income generation opportunities in ways that are consistent with our aims and objectives;
7. Report efficiency gains to our customers and ensure that they are consulted over where efficiency savings will be spent; and
8. Ensure our Board monitors our progress and contributes fully to delivering value for money.

The strategy will be reviewed annually and translated into an action plan for the year ahead. The action plan for 2007/08 is detailed in appendix 2. There are some areas identified from the analysis, which will be taken forward into the action plan for 2008/09 which is detailed in appendix 4.

3. Key Drivers for Efficiency

There are a number of key drivers for efficiency. The most recent and important being Sir Peter Gershon's review of public sector efficiency.

Gershon's findings were taken forward through the 2004 Spending Review. Local government was given the target of achieving efficiency gains totalling £6.45 billion by 2007/08. Over a 3 year period each local authority is expected to achieve 2.5% per annum efficiency gains compared to their 2004/05 baselines.

4. What is an efficiency gain?

Efficiency is not about service reductions. The Social Housing Efficiency Technical note states that:-

Efficiency is not about cuts, but about doing more for the same – raising productivity, increasing effectiveness and enhancing value for money.

5. Service categories

Our services can be grouped into three main categories. These are:-

1. Services provided in-house;
2. Services provided through Service Level Agreements with Newcastle City Council; and
3. Services provided through agreements and contracts with external service providers.

This Strategy does not differentiate between the three categories of service provision. We are committed to ensuring that across all 3 categories Service Providers are providing value for money. For each of these categories we have mechanisms to identify priority areas for review. These are detailed in appendix 3.

6. Roles and responsibilities

Following approval by our Board, Finance Committee will have delegated authority for the development and implementation of this Strategy. This will include:-

- Reviewing the Strategy on an annual basis and agreeing actions to be undertaken in the year ahead; and
- Quarterly monitoring of the Action Plan and Annual Efficiency Statement.

In order to ensure that members can undertake the role effectively regular training sessions will be held on efficiency. This will complement the financial training members have already received and will enable them to effectively challenge proposals and scrutinise performance.

The Action Plan in appendix 2 details the actions to be undertaken for the year ahead and identifies the Lead Officers responsible. Every 6 months Lead Officers will provide an update on progress, which will be collated by the Business Strategy Team and reported to Finance Committee.

7. Consultation

Actively involving customers in efficiency and value for money initiatives such as service reviews and strategically important procurements is of fundamental importance to delivering this Strategy. We will involve our customers using a range of mechanisms and will report efficiency gains annually to customers and ensure that they are consulted over where efficiency savings will be spent.

8. Procurement

Procurement is one of the key contributors to the efficiency agenda. As part of a review of procurement we carried out a comprehensive spend analysis, which looked at all suppliers where we spend in excess of £1000.

We have identified a number of priority areas where we think we can make savings. These are detailed in appendix 3.

9. Next Steps and review

The priorities for the strategy are detailed in the action plan in appendix 2. The action plan will be updated annually to reflect the priorities identified.

1. Efficiency Mission Statement

Your Homes Newcastle's efficiency mission statement is to provide high quality services in a cost effective manner which will help to deliver better homes, better services and better neighbourhoods.

2. Aims and objectives

Our efficiency objectives are to:-

We have 8 objectives underpinning this mission:-

1. Optimise the efficiency and effectiveness of our in-house services;
2. Improve current procurement practices across Your Homes Newcastle;
3. Subject all Service Level Agreements to an in-depth review and ensure all Service Level Agreements are robustly monitored;
4. Subject all existing contracts to a periodic review to ensure value for money is maintained;
5. A strong value for money culture;
6. Maximise charging and income generation opportunities in ways that are consistent with our aims and objectives;
7. Report efficiency gains to our customers and ensure that they are consulted over where efficiency savings will be spent; and
8. Ensure our Board monitors our progress and contribute fully to delivering value for money.

3. Review timescales

This Strategy's action plan will be reviewed and updated annually.

4. Context

Efficiency and value for money are cross cutting themes which go right across all areas of our organisation. To ensure we make the best use of our resources we need to embed efficiency and value for money in all areas of our business.

5. Key Drivers for Efficiency

5.1 Past developments

There have been a number of initiatives aimed at improving value for money in local government. These include: -

- Compulsive Competitive tendering introduced in the 1980s requiring local authorities to tender services;
- The Best Value duty introduced through the Local Government Act 1999.

Local authorities were expected to review all services over a 5-year cycle against a common review framework consisting of the 4 C's – consult, compare, compete and challenge. All Your Homes Newcastle services were reviewed through this process including Housing Management, Planned Investment, Community Care Alarm Service, Furniture Service, Concierge Service and Rent Arrears; and

- National Procurement Strategy for Local Government introduced in 2003. This raised the profile of procurement in councils as a mechanism to improve value for money and services to customers.

5.2 Gershon's public sector efficiency review

The current initiative aimed at improving efficiency in the public sector was initiated by Sir Peter Gershon's review of public sector efficiency. The Gershon review identified the potential to make large savings across a range of target areas including procurement, back office functions, transactional services, policy and regulation, and productive time.

Gershon's findings were taken forward through the 2004 Spending Review. Local government was given the target of achieving efficiency gains totaling £6.45 billion by 2007/08. Over a 3 year period each local authority is expected to achieve 2.5% per annum efficiency gains compared to their 2004/05 baselines.

5.3 The Government's expectations of efficiency gains

The government expects the social housing sector to make efficiency gains totalling £835 million. This is split across local authorities and registered social landlords. The estimated gain to be made by local authorities is £480 million.

The local authority social housing sector is expected to make savings across the following areas:-

- Procurement of new housing supply - £160 million
- Procurement of housing capital works - £340 million
- Delivery of housing management and maintenance services - £280 million
- Procurement of commodity goods and services - £55 million

There is no government requirement for an ALMO like Your Homes Newcastle to meet a target or make 2.5% efficiency gains. However, as an organisation committed to efficiency, we have set targets for the last 2 years to:-

- Achieve a Housing Revenue Account balance of £3 million in our 2005/06 Delivery Plan (this was achieved) and £5 million in our 2006/07 Delivery Plan; and
- Achieve a 2.5% efficiency saving on baseline budget in our 2006/07 Delivery Plan.

6. What is an efficiency gain?

Efficiency is not about service reductions. The Social Housing Efficiency Technical note states that:-

Efficiency is not about cuts, but about doing more for the same – raising productivity, increasing effectiveness and enhancing value for money.

The Efficiency Technical Note defines 4 areas where efficiency gains can be made:-

1. Reducing inputs (money, people, assets etc.) for the same outputs (e.g. fewer staff needed to provide the same quality housing services);
2. Reducing prices (procurement, labour costs etc.) for the same outputs (e.g. less public subsidy for a new social home of the same size, quality and location);
3. Getting greater outputs or improved quality (extra service, productivity etc) for the same inputs (e.g. carrying out capital works to a higher standard with the same budget); and
4. Getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in outputs (e.g. if increased spend on partnership working leads to better outcomes than would have been achieved through increased spend on existing approach).

7. Reporting Efficiency Gains

Efficiency gains made by Your Homes Newcastle are included as part of Newcastle City Council's gains. Newcastle City Council reports their efficiency gains to the government through their Annual Efficiency Statement. 2005/06 was the first year that Annual Efficiency Statements were required. They consist of 2 parts:-

- Forward look statement - planned efficiency gains to be made for the year
- Backward look statement – reporting gains made against forecast

Our backward look for 2005/06 and forward look for 2006/07 are detailed in appendix 1. These show the efficiencies we reported for the 2 year period.

8. Method Statement

The action plan in appendix 2 outlines how we will achieve our efficiency objectives for the year ahead. This section outlines in a more general way how we will improve efficiency.

8.1 Service categories

Our services can be grouped into three main categories. These are:-

1. Your Homes Newcastle services provided in-house;
2. Services provided through Service Level Agreements with Newcastle City Council; and
3. Services provided through agreements and contracts with external service providers.

This Strategy does not differentiate between the three categories of service provision. We are committed to ensuring that across all 3 categories Service Providers are providing value for money.

8.2 Judging value for money

Value for money can only be assessed by comparing services with others. Comparison enables a judgement to be made about the relative efficiency of a given service.

Your Homes Newcastle is a member of HouseMark and participates in the ALMO Performance Improvement Club. The purpose of the club is to provide information to ALMOs, which they can use to self assess the efficiency of their organisations and to judge whether the services provide value for money.

HouseMark assess efficiency through the analysis of cost and quality indicators across several business areas. The ultimate judgement requires balancing quality and cost across a range of factors relevant to the service being assessed.

Comprehensive information on relevant quality and performance information are essential to evaluating services and are key factors to all the service reviews that will be undertaken by Your Homes Newcastle be they reviews of in-house services, Service Level Agreements or formal procurements of goods or services.

8.3 A value for money culture

Value for money is a priority for the whole organisation. There are 2 main mechanisms being used by Your Homes Newcastle to ensure that all parts of the organisation are fully involved. These are the:-

1. Value for Money Project within the three Star Service Improvement Programme. The Project is chaired by the Head of Business Development and co-ordinates a number of value for money projects. These include service reviews and key strategic procurements
2. Business and Financial Planning process. There has been a long history of service planning within Your Homes Newcastle but 2006/07 was the first year that we combined service planning with business planning. The process involves staff from right across the organisation from the Chief Executive to front line staff on a service by service basis. All services have

value for money target and actions. This inclusive approach ensures that all our staff are given the opportunity to contribute to efficiency and value for money.

3. Budget Management Tool. The implementation of an electronic Budget Monitoring System providing monthly updates and available through our intranet. The system shows projected spend and uses traffic light visual indicators to encourage a risk based approach to budget management and monitoring.

We recognise that all stakeholders have a key role to play in delivering value for money. In order to ensure that our customers and Board members are fully involved we will:-

- Report efficiency gains annually to customers and ensure that they are consulted over where efficiency savings will be spent ; and
- Report quarterly to Finance Committee on efficiency gains and progress on implementing this strategy.

8.4 Identifying priority areas

As detailed in section 3.1 our services can be grouped into 3 main headings. Although we do not differentiate between them in terms of ensuring value for money the methods used to identify priority areas for review will vary.

The HouseMark benchmarking reports provide an initial starting point for assessing the efficiency of all services.

In-house services for review are identified through the completion of an efficiency template. The template is based on the HouseMark ALMOs and Annual Efficiency Statements guidance and uses financial and performance data from 2004/05 to track expenditure and performance across all of our services. It was decided to use 2004/05 data as a baseline because this was the first year of operation for Your Homes Newcastle and provides a better base to compare subsequent years than 2003/04 data.

We have 25 Service Level Agreements with Newcastle City Council. Services range from finance to grounds maintenance with values from £5,000 to £2,900,000. Each Service Level Agreement is managed by a Lead Your Homes Newcastle Officer to ensure that services are being provided in accordance with the agreement. We are committed to reviewing all 25 Service Level Agreements and have reviewed 7 with 2 planned for completion by the end of March 2007. SLAs for review are identified by the Lead Officers on the basis of cost and performance.

External suppliers for review are identified through a comprehensive spend analysis. The spend analysis looks at all suppliers where we spent more than £1000.

The table in appendix 3 summarises the methods used to identify areas for review and the priorities for the year ahead.

9. Roles and responsibilities

Strategies and action plans can only achieve their objectives if:-

- The individuals responsible for their implementation fully understand what is required;
- Actions are monitored to ensure they are completed; and
- Impact is assessed.

9.1 Finance Committee

Following approval by the Board, Finance Committee will have delegated authority for the development and implementation of the Efficiency Strategy. This will include:-

- Quarterly monitoring of the Annual Efficiency Statement and Action Plan; and
- Reviewing the Strategy on an annual basis and agreeing actions to be undertaken in the year ahead

In order to ensure that members can undertake the role effectively a training session will be held on efficiency. This will compliment the financial training members have already received and will enable them to effectively challenge proposals and scrutinise performance.

9.2 YHN Officers

The Action Plan in appendix 3 details the actions to be undertaken for the year ahead and identifies the Lead Officer responsible. Every 6 months Lead Officers will provide an update on progress, which will be collated by the Business Strategy Team and reported to Finance Committee

10. Measuring efficiency and value for money

Information on service costs and quality are a central requirement in assessing value for money and improving efficiency. There are a number of ways we access accurate information about both the costs and performance of our services:-

- HouseMark – our costs and performance are analysed through the HouseMark benchmarking service;
- Service Standards – we have customer service standards for each area of our business which are monitored by our Area Boards; and
- Performance Management Framework – we have a balanced scorecard which measures our performance at a strategic level with devolved targets for each of our services.

11. Performance Management

Performance and quality of service are key elements of any value for money assessment. Our Performance Management Framework assesses performance from the strategic level down to the frontline.

At the strategic level our performance is monitored through our balanced scorecard. There are 22 targets across the 4 quadrants. A quarterly strategic performance report is provided to our Board, Newcastle City Council's Regeneration Scrutiny Committee and the Newcastle Tenants Federation. For indicators not achieving targets the financial implications of this are detailed in the reports.

Each Service area has a range of performance indicators and targets. These are monitored on a quarterly basis and reported to each of the 4 Service Management Teams.

Further information about our performance is contained in appendix 5.

12. Benchmarking

Benchmarking is the process of comparing services using a variety of data sources. We undertake 2 forms of benchmarking:-

- Internal benchmarking – where we compare the cost and performance of the same service year on year; and
- External benchmarking – where we compare the cost and performance of our services with other social landlords services.

We have started to internally benchmark our services using a methodology based on the HouseMark ALMOs and Annual Efficiency Statements Technical Manual. Efficiencies are measured against a 2004/05 baseline over the period 2005/06 to 2007/08. Review priorities for the year ahead are detailed in appendix 3.

As detailed in this report we are a member of HouseMark and make extensive use of their benchmarking service. The ALMO Performance Improvement Club 2005/06 benchmarking exercise identified a number of business areas where YHN is operating efficiently. These include:-

- Overheads;
- Core housing management; and
- Tenancy related management.

However a number of areas were identified as relatively inefficient. These include:-

- Responsive repairs and voids;
- Capital works spend; and
- Current arrears levels.

Further analysis of cost drivers is contained in the benchmarking summary in appendix 6.

13. Service Reviews

We recognise the importance of comprehensive service reviews. Since we were established we have reviewed our housing management function. This included a review of our:-

- Customer facing outlets;
- Payment mechanisms;
- Roles of our housing management staff and operational structures; and
- Improving access to our services.

Our service review methodology is being developed further to encompass many of the features of best value reviews. The methodology will cover the 4 C's of best value:-

- Competition;
- Consultation;
- Comparison; and
- Challenge.

Each review will be conducted by a small team with challenge provided by our 3 Star Service Improvement Programme Board. The review priorities for the year ahead are detailed in appendix 2

14. Sickness

We understand that sickness absence can have a negative effect on performance. Our sickness levels are above the top quartile for comparator organisations. The average number of days we lost to sickness per employee for 2005/06 was 13.2 days. This compares against a top quartile figure of around 10.5 days for metropolitan local authorities.

We have taken steps to improve our performance. This includes:-

- Managing absence training for managers; and
- The introduction of a more robust system of managing sickness including revised procedures for short term absence and long term absence and more stringent trigger levels to identify staff taking sick days above certain levels or where a pattern can be identified

This is an area we keep under constant review and report on quarterly to our Board. If performance has not improved during early 2007/08 we will undertake a comprehensive review of sickness management.

15. Back office costs

Reducing back office costs can result in redeploying resources to the frontline and better meeting the requirements of customers. Back office functions include IT, finance, human resources, performance management, policy and research.

The cost of our back office functions for 2005/06 was in the top quartile of the HouseMark ALMO Performance Improvement Club (the results for 2004/05 and 2005/06 are detailed in Appendix 5). We are however aware that in 2004/05 we were in the lower middle quartile. This is an area that we will keep under review and if performance drops out of the top quartile we will undertake a comprehensive review of the higher costing elements.

In order to ensure that our back office costs are supporting key services and adding value we are considering introducing a time recording system for staff employed in support services. This will better enable us to assess the total costs of services and assess the value our back office functions are making to the delivery of frontline services. There will be costs associated with any time recording system and the review will consider these alongside the potential benefits.

16. Consultation

We understand that the services we provide need to be firmly based on what our customers and other stakeholders require. Our Strategy for Tenant and Leaseholder Involvement in Housing Management Service details how we will put tenant involvement at the heart of our services.

The Strategy is complemented by our Tenant and Leaseholder Involvement Compact. The Compact is a formal agreement, which sets out how Newcastle City Council, Your Homes Newcastle and the Tenants Federation will work together with tenants and leaseholders to provide better services.

We provide a range of mechanisms to involve our customers. These include:-

- The 'Your View' panel - this is a representative panel which discusses a range of issues that affect homes and communities;
- Events, road shows and public meetings;
- Homes and People our tenants newsletter;
- Discussion groups;
- Mystery shopping; and
- Surveys and focus groups.

In terms of efficiency and value for money we will:-

- Actively involve customers in service reviews and strategically important procurements using a range of mechanisms including but limited to those detailed above;
- Report efficiency gains annually to customers and ensure that they are consulted over where efficiency savings will be spent; and

- Set up a Strategic Independent Advisory Group to ensure our decisions address the needs of all communities.

17. Medium Term Financial Plan

We have a medium term financial plan. Its purpose is to support our corporate planning processes and to indicate the resource issues and principles, which will shape our financial strategy and annual budgets.

The medium term financial plan sets out the overall shape of our budget by establishing how available resources will be allocated between services, reflecting our priorities, and therefore providing a framework for the preparation of annual budgets. This document sets out the current projected revenue plans for 2007-08 to 2011-12.

Our Finance Committee monitors the medium term financial plan on a quarterly basis.

18. Budget Preparation

2006/07 was the first year we brought business and financial planning processes together. This approach involves developing service actions and targets to meet priorities in conjunction with setting service budgets. The benefits of this joint approach to planning are that budgets can be set to accurately reflect the priorities and pressures facing services.

The process consists of a number of sessions with managers and frontline staff to identify priorities and pressures for the following year. It also enables staff to identify any training requirements they have. This ensures that staff have the skills they need to effectively implement actions and our training budget is spent in accordance with our organisational objectives.

In addition to staff input, customers are consulted at our annual tenants' event and through focus groups during the year to ensure priorities are incorporated into budget planning. This information is then fed into the budget planning process culminating in Finance Committee receiving a budget for approval the following January.

19. Budgetary Control

We have robust budgetary control arrangements, including:-

- All budget holders receive monthly reports and are required to review, scrutinise and report on budgets and budget issues; and
- Finance Committee and Newcastle City Council receive monthly monitoring reports.

If managers want to increase their budgets they have to submit growth

proposals. Growth proposals need to justify increases on the grounds of cost savings or performance improvements. Growth proposals greater than £100,000 need to be approved by our Board. Proposals under £100,000 need to be approved by our Management Team.

20. Capital Programme

For each scheme requiring capital investment consideration is given to the available resources, the priority for the investment and the predicted outcomes and outputs. The approach taken and the prioritisation depend on the nature of the investment. Each scheme or project budget is then monitored monthly by Finance Committee. Following the completion of a project a review is completed to identify if the objectives were met and delivered within the tendered price.

21. Procurement

Procurement is one of the key contributors to the efficiency agenda. The Government envisages that adopting best practice both in terms of the procurement of commodity goods and services and construction procurement will generate significant efficiency gains. Some examples of this best practice from Delivering Efficiency in Local Services includes:-

- Buying into consortia framework agreements;
- Making framework agreements mandatory across organisations;
- E-procurement solutions such as e-Catalogues and e-Auctions;
- Adopting partnering practices in construction procurements;
- Shared working and collaboration across organisations; and
- Procurement training

21.1 Corporate Procurement Strategy

We have a Corporate Procurement Strategy that was agreed by our Board in September 2005. The Strategy details:-

- Roles and responsibilities;
- Organisational arrangements;
- Option appraisals; and
- Decision making process.

22.2 Review of Procurement

We have undertaken a review of procurement. The review was undertaken within the contexts of progress towards achieving the aims and objectives of our Procurement Strategy and a review of best practice.

There are a number of actions being taken forward. These include:-

- Establishing a central Procurements and Payments Team to co-ordinate all procurement activity across Your Homes Newcastle through a re-organisation of existing back office support services;
- Putting in place a revised procurement process;
- Reducing the number of requisitioners thereby minimising the burden on administrative resources;
- Monitoring all supplier activity and spend; and
- Establishing targets to monitor the performance of the Central Team and ensure procurement contributes fully to achieving our efficiency targets. The target for 2007/08 is an efficiency saving of £225,000.

22.3 Major Works Projects

The largest area of procurement for Your Homes Newcastle is for works to achieve the decent homes standard by 2010/11. We have set up a number of partnering contracts for the delivery of decent homes in accordance with industry best practice.

We are actively working with our construction partners to bring costs down by sharing the price of components and procuring from the best source. Through effective supply chain management we are:-

- Improving the specification and quality of products for the same price; and
- Reducing the elemental cost of products.

We have realised significant cost savings from the activities detailed above which contribute to our annual efficiency submission to Newcastle City Council.

We are also investigating the opportunities to realise savings through purchasing products through purchasing consortia. We have joined the North East Procurement Consortia and assessing purchasing a number of products through Procurement for Housing.

22.4 Responsive repairs contract

We went out to tender for a new Repairs and Maintenance Service Provider in 2005. The contract started in June 2006. The Service Provider is City Build, Newcastle City Council's in-house contractor. Price and quality were weighted on a 50/50 basis.

Tenants and leaseholders were fully involved in all aspects of the procurement. A panel of tenants and leaseholders was established early on in the process. In conjunction with the Newcastle Tenants Federation we held several training sessions with the Panel covering the design of specifications and how to evaluate tender submissions. In summary the panel:-

- Helped design the specification and quality method statements;
- Scored contractors tender submissions; and
- Went on site visits and participated in tenderer interviews.

The new contract includes a number of new initiatives and service developments to improve services to our customers. These include:-

- Late night and weekend appointments;
- Rapid Response Service (Area based service for routine repairs);
- Partnering contract with a range of key performance indicators; and
- Financial incentives through sharing savings.

22.5 Commodity goods and services

Commodity goods and services cover items such as stationary, mobile phones, computers, vehicles and banking. The volumes of expenditure on such items are marginal compared to construction related expenditure and services procured through Service Level Agreements from Newcastle City Council.

Your Homes Newcastle accesses contracts for commodity goods and services from a number of sources. This includes contracts secured by:-

- Newcastle City Council including agreements through the North Eastern Purchasing Consortium; and
- Procurement for Housing and the Northern Housing Consortium– purchasing organisations aiming to achieve savings through large-scale procurement agreements which utilise the collective purchasing power of a number of housing organisations.

We are making use of purchasing consortia contracts in a number of areas, including decoration vouchers and office supplies.

22.6 Service Level Agreements with Newcastle City Council

We procure a number of services from Newcastle City Council. These services are provided through Service Level Agreements. Our Service Level Agreements are detailed in appendix 6.

Each of our Service Level Agreements has a Lead Officer. The Lead Officer monitors the cost and performance of the Service Provider and escalates any issues up to Heads of Service. If these cannot be resolved at this level then they are taken forward jointly with Newcastle City Council through our Strategic Liaison Meeting.

We are aware of the contradiction in achieving a competitive price from the Council who are our sole shareholder and efficiencies within our budget causing inefficiency in the Council budgets. The Council is committed to make any provided services efficient and where we procure a smaller volume through either a contraction in demand or through switching supplier manage the spare capacity created within the Council.

22.7 External Suppliers

We procure goods and service through a number of suppliers. A spend

analysis has been undertaken for all suppliers where we spend in excess of £1000.

We believe we can obtain significant savings in a number of areas. The review priorities for the year ahead are detailed in appendix 3.

The review process will need to consider:-

- Changes to existing processes;
- Options for delivery; and
- Procurement strategy.

For example in terms of:-

- Aids and adaptations a tender process may be required and the best form of agreement maybe a framework agreement. But in addition we may but in place processes to recycle equipment once it has been removed from our properties; and
- Technical consultants' improvements to efficiency may include increasing the capacity of the in-house technical team to undertake the planned supervisor role instead of buying the service in from outside. But in addition we may have to look at our processes for appointing consultants including incorporating the recommendations of the OGC review of the use of consultants in the public sector.

22.8 Shared Services and partnership working

The Transformational Government strategy published in November 2005 outlined encouraging a shared service approach to release efficiencies across organisations and support the delivery of services more focused on customer needs. Sharing a service provides the opportunity to reduce waste and inefficiency by reorganising or reusing assets and sharing investments with others.

It is an area which we havenot focused on in the past but we are interested in identifying opportunities to share services with other organisations, explore other areas such as reciprocal trading and partnership activity in general.

In 2007/08 we will actively explore opportunities to share services with other organisations and look to develop better partnership working arrangements. We will do this through raising the issue through formal mechanisms such as the National and North East ALMO Director of Finance meetings and informally through networking.

Appendix 1 - Annual Efficiency Statement Summary

Area	2005/06 £'000	2006/07 £'000	Total £'000	Strategy
Major Works	795	1,060	1,855	<ul style="list-style-type: none"> • Supply chain management - savings on tendered prices • Changes in processes
Housing Management	10	250	260	<ul style="list-style-type: none"> • Review of outlets following Housing Management review • Increased margin from new contracts • New Social Services contracts
Repairs and Maintenance	305	488	793	<ul style="list-style-type: none"> • No inflationary increase • Additional service provided through R&M procurement
Supplies and Services	30	60	90	<ul style="list-style-type: none"> • No inflationary increase
Total	1,140	1,858	2,998	

Appendix 2 – 2007/08 Action Plan

Strategic Objective	Service Category	Action	Lead Officer	Co-ordinator	Finance Officer	Estimated Cost	Completion target date	Outcome
Optimise the efficiency and effectiveness of in-house services	In-house	Review Hasbet	Tenancy Services Manager	Lead Performance Management and Policy Officer	Senior Finance Officer	Nil	January 2008	Improvement in customer service satisfaction levels. 2.5% efficiency gain.
		Review Concierge	Area Director (East)	Business Strategy Manager	Senior Finance Officer	Nil	January 2008	Improvement in customer service satisfaction levels. 2.5% efficiency gain.
		Review Your Choice Homes	Manager Your Choice Homes	Principal Performance Management and Policy Officer	Principal Finance Officer	Nil	March 2008	Improvement in customer service satisfaction levels. 2.5% efficiency gain.

		Analyse reasons for terminations and identify any dependent variables or trends	Principal Housing Manager	Lead Performance Management and Policy Officer	-	Nil	October 2007	Action plan to reduce void volumes
		Implement all actions from Rent Arrears Working Group for 2007/08	Head of Housing Management	-	-	Nil	March 2008	Reduction in arrears – achieving 2007/08 arrears targets
		Investigate opportunities for shared services	Head of Corporate Services	-	-	Nil	March 2008	Identification of opportunities to reduce costs through the sharing of services with similar service providers
		Option appraisal of introducing time recording for back office functions	Head of Corporate Services	-	-	Nil	March 2008	Advantages and costs of introducing a system.

Subject all SLAs to an in-depth review and ensure all SLAs are robustly monitored	SLAs	Review Cashiering	Area Housing Director (Outer West and North)	-	Income Manager	Nil	November 2007	2.5% efficiency gain
		Review City Buy	Senior Finance Officer	-	-	Nil	November 2007	
		Review Grounds Maintenance	Business Strategy Manager	-	Principal Finance Officer	Nil	November 2007	
		Review Environmental Services	Principal Housing Manager	-	Senior Finance Officer	Nil	February 2008	
Improve current procurement practices across YHN	External	Implement next steps actions from review of procurement for 2007/08	Principal Finance Officer	-	-	Nil	September 2007	£225,000 saving for 2007/08
Subject all existing contracts to a periodic review to ensure value for money is maintained	External	Implement next steps actions from review of procurement for 2007/08	Principal Finance Officer	-	-	Nil	September 2007	
		Annual assessment and work allocation for Investment Partners	Head of Business Development	-	-	Nil	October 2007	£795,000 saving for 2007/08

		Implement all actions from Term Partnering Agreement for Repairs and Maintenance including multi-skilling and improving diagnosis of repairs to reduce the number of repairs per property	Technical & Maintenance Manager	-	-	Nil	March 2008	
Improve current procurement practices across YHN	External	Deliver 4 reviews / procurements of expenditure as recommended by spend analysis:- <ul style="list-style-type: none"> • Lifts • Printing 	Principal Finance Officer	Business Strategy Manager Business Strategy Manager Senior		£75,000 (estimate of technical / legal fees to support procurements)	March 2008	2.5% efficiency gain

		<ul style="list-style-type: none"> • Aids & adaptations • Energy 		Quantity Surveyor					
				Senior Finance Officer					
Maximise charging opportunities and the opportunity to generate income	All	Implement all actions from Income Management Strategy Action Plan for 2007/08	Principal Income Officer	-		Nil	March 2008		
Report Efficiency gains to our stakeholders and ensure that they are consulted over where efficiency savings will be spent	All	2 focus groups to be held with tenants	Tenant Involvement Officer	-		Nil	March 2008	Investment which reflects customer priorities	
		Submit forward AES for 2007/08 and backward look for 2006/07AES	Business Strategy manager	-		Nil	March 2008		
Ensure our Board monitor our progress and contribute full to	All	Board training session on efficiency	Principle Finance Officer	-		Nil	August 2007	Effective scrutiny of Strategy	

delivering value for money	All	Report quarterly to Finance Committee against this Strategy and Action Plan	Business Strategy manager	-		Nil	March 2008	Board member involvement in efficiency and value for money
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Appendix 3 Summary of Priority Areas for 2007/08

Service Category	Method	Detail	Review Timescales	Priorities for 2007/08
In-house Services	<p>HouseMark ALMO Performance Improvement Club</p> <p>ALMO Efficiency Template</p>	<ul style="list-style-type: none"> • Report and In-depth Benchmarking Schedules • Follows guidance issued by Housemark • Records information relating to costs and outputs for all YHN services from 2005/06 • Identifies areas where costs have increased with out a corresponding increase in outputs • HouseMark ALMO Performance 	<ul style="list-style-type: none"> • Reviewed annually • Priority areas to be identified annually by Finance Technical Team and agreed by Management Team 	<ul style="list-style-type: none"> • Housing Anti Social Behaviour and Enforcement Team (HASBET) - internal service review • Concierge - internal service review • Your Choice Homes - internal service review • Reducing void volumes • Reducing arrears

		Improvement Club		
Service Level Agreements	HouseMark ALMO Performance Improvement Club Quarterly review meeting with YHN Lead SLA Officers	<ul style="list-style-type: none"> Report and In-depth Benchmarking Schedules All SLAs to be reviewed by March 2009 Priorities agreed by Lead Officers based on performance and cost HouseMark ALMO Performance Improvement Club 	<ul style="list-style-type: none"> Reviewed annually Priority SLAs to be identified annually at Quarter 3 Lead Officers meeting on the basis of performance and cost - to be agreed by Management Team 	<ul style="list-style-type: none"> Environmental Services review <ul style="list-style-type: none"> Street Wardens Grounds Maintenance review Cashiering review City Buy review
External Service Providers and Suppliers	HouseMark ALMO Performance Improvement Club Spend analysis	<ul style="list-style-type: none"> Report and In-depth Benchmarking Schedules Spend analysis of all suppliers 	<ul style="list-style-type: none"> Reviewed annually To be reviewed quarterly and 	<ul style="list-style-type: none"> Reducing number of responsive repairs Reducing capital works spend Lifts procurement Printing procurement Aids and adaptations procurements Energy procurement

		<ul style="list-style-type: none">• HouseMark ALMO Performance Improvement Club	priority areas agreed with Head of Corporate Services	<ul style="list-style-type: none">• Technical consultant services procurement
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Appendix 4 Areas to be considered for 2008/09

Service Category	Action
In-house service	Organisational Development review.
In-house Service	Sickness management review. (possibly 2007/08 see Section 13)

The categories and actions above will be taken forward in the 2008/09 action plan in line with the processes detailed in the strategy for identifying priority areas.

Appendix 5 – Performance Summary 2006/07

Balanced Scorecard

Description	06/07 Target	1/04/06 to 30/06/06	1/07/06 to 30/09/06	1/10/06 to 31/12/06
Modern Homes / Balancing Supply and Demand				
Reduce the average void re-let times to 62 days by 31/03/07	62 days	129 days	142 days	134 days
Achieve a 11.44% change in the proportion of non-decent homes by 31/03/07	11.44%	0.98%	3.72%	6.30%
1,863 homes to be made decent in 2006/07	1,863	279	750	1,700
8,000 investment packages to be delivered in 2006/07	8,000	2,162	1,398	6,190
95% of all available time limited capital to be spent in 2006/07	95%	100%	100%	100%
Excellent Services / Customer Focus				
Achieve 76% satisfaction with the overall housing service by 31/03/07	76%	-	-	74.39%
Achieve 65% satisfaction with opportunities for participation in management and decision making by 31/03/07	65%	-	-	71.05%

Achieve 91% satisfaction with the repairs an maintenance service by 31/03/07	91%	88%	91%	91%
Achieve 87% satisfaction with the investment programme by 31/03/07.	87%	88%	88%	87%
90% of complaints to be replied to within 15 working days	90%	75%	84%	94%
90% of service plan and programme actions to be completed within target timescales during 2006/07.	90%	-	-	74%
Responsibility to the Community / expanded choice				
Achieve 66% BME satisfaction with the overall housing service by 31/03/07.	66%	-	-	71.05%
Achieve 55% BME satisfaction with opportunities for participation in management and decision making by 31/03/07.	55%	-	-	68.75%
To prevent 60 cases of homelessness during 2006/07 by casework intervention.	60	32	112	62
95% of cases referred to HASBET to have commenced investigations within agreed timescales during 2006/07	95%	95.50%	94%	81.4%

Running ourselves well				
Reduce the number of sickness days per full time equivalent to 10.20 days by 31/03/07	10.20 days	10.92 days	12.81 days	13.70
Achieve a 5% reduction net rent arrears by 31/03/07	£4,264,391	£4,696,357	£4,829,768	£4,224,223
Achieve a Housing Revenue Account balance of £5m by 31/03/07	£5m	£7.7m estimated	£8m estimated	£9.8m estimated
Achieve a 2.5% efficiency saving on 2004/05 baseline budget by 31/03/07	2.5%	-	-	-
8.57% (3) of top 5% of staff who have a disability.	3	2	2	1
2.86% (1) of top 5% of staff who are from an ethnic minority.	1	0	0	0
34.29% (12) of top 5% of staff who are women	12	11	12	12

Appendix 6 - Benchmarking Summary to 2005/06

Cost / performance indicator	2004/05	Indicator	2005/06	Indicator	Difference 2004/05 to 2005/06
Top level cost indicators					
Overhead (back office) cost per property	£158	Upper middle quartile	£103	Top quartile	£55
Total Core housing management direct costs	£213	Top quartile	£210	Top quartile	£3
Total core management cost per property	£371	Top quartile	£313	Top quartile	£58
Back office cost as % of front line cost	74%	Lower middle quartile	49%	Top quartile	25%
Responsive and void repairs spend per property	£529	Lower middle quartile	£551	Lower middle quartile	£22
Major and cyclical repairs spend per property	£1,488	Upper middle quartile	£2,539	Lower middle quartile	£1,051
Responsive repairs cost drivers					
Number of repairs per property	5	Bottom quartile	4.4	Bottom quartile	0.6
Average cost per repair	£80	Top quartile	£84	Upper middle quartile	£4
Responsive repairs spend per property	£404	Lower middle quartile	£369	Lower middle quartile	£35
Emergency and urgent repairs as % of total repairs	21%	Top quartile	No data	No data	No data
Responsive repairs performance					

% of all repairs completed within relevant target	83.29%	Bottom quartile	99.78%	Top quartile	16.49%
Rent Arrears performance					
Current tenant arrears as % rent	3.7%	Lower middle quartile	6.4%	Bottom quartile	2.7%
Lettings performance					
Tenancy turnover	16.3%	Bottom quartile	14.6%	Bottom quartile	-1.7%
Empty property management performance					
Average relet time (weeks)	5.8	Upper middle quartile	9.9	Bottom quartile	4.1
Void rent loss %	4%	Bottom quartile	4%	Bottom quartile	0%
Decent Homes Performance					
% of homes failing Decent Homes Standard	81%	Bottom quartile	79%	Bottom quartile	-2%

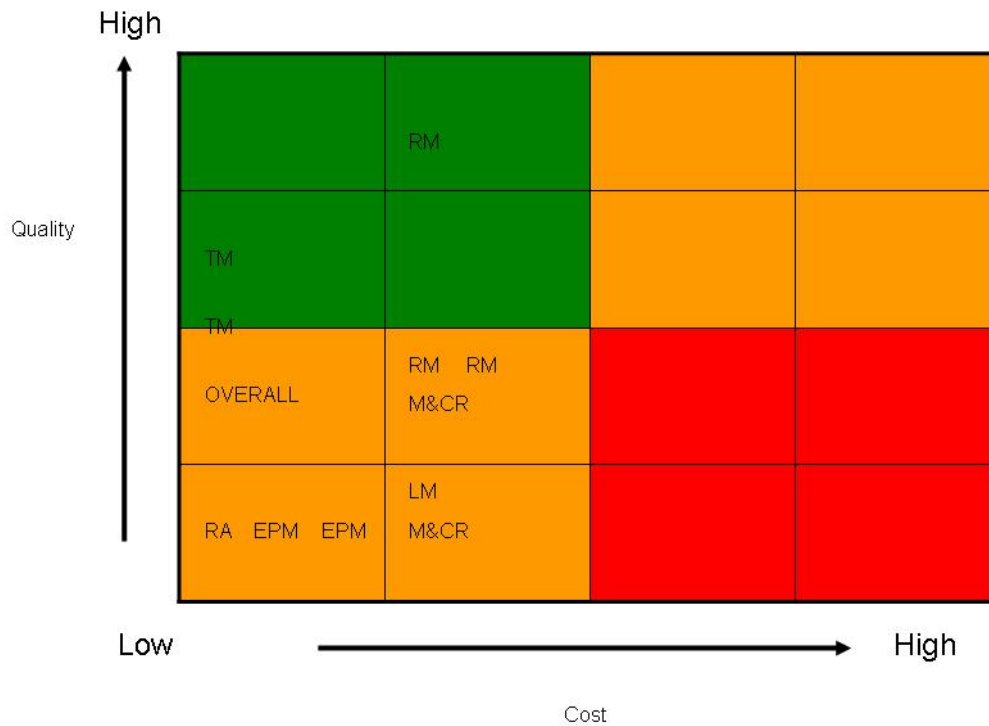
There are a number of key issues raised by the data. These include:-

- Comparatively low cost in several areas including back office and core housing management costs;
- The relatively high cost of responsive repairs and voids is being driven by the volume of repairs and voids. The unit cost of repairs is relatively low but the high volume pushes the overall costs above average. This is similar to voids where the average spend per void in 2005/06 was £1,248 which was below the average of £1,530. However the high volume pushes overall void costs above the average. 3.8% of our units were vacant but available to rent at the end of 2005/06 against an average of 0.9%;
- Comparatively poor performance on rent arrears but low cost ;
- Relatively poor performance on voids but low cost; and
- Comparatively poor performance on homes failing decency standard and high cost;

2005/06 Cost and Quality Comparison for Core Services

Cost indicator	Performance	Quality indicator	Performance
Cost per property rent arrears	Top quartile	Total current rent arrears as a % of rent due	Bottom quartile
Cost per property tenancy management	Top quartile	% of tenants served with NOSP's as a result of rent arrears	Median
Cost per property tenancy management	Top quartile	% of tenants satisfied with opportunities for participation	Upper middle quartile
Cost per property empty properties	Top quartile	Number of weeks taken to relet properties	Bottom quartile
Cost per property empty properties	Top quartile	Rent loss due to empty properties as % of rent due	Bottom quartile
Cost per property responsive repairs	Lower middle quartile	% of priority 1 repairs completed on time	Lower middle quartile
Cost per property responsive repairs	Lower middle quartile	% of priority 2 repairs completed on time	Top quartile
Cost per property responsive repairs	Lower middle quartile	% of residents very or fairly satisfied with repairs service (STATUS survey)	Lower middle quartile
Cost per property major & cyclical repairs	Lower middle quartile	% properties below Decent Homes Standard	Bottom quartile
Cost per property major & cyclical repairs	Lower middle quartile	% of residents very or fairly satisfied with repairs service (STATUS survey)	Lower middle quartile
Cost per property lettings	Upper middle quartile	% of lettings during the year	Bottom quartile
Cost per property overall housing management costs	Top quartile	STATUS survey % of tenants satisfied	Lower middle quartile

Cost / Quality Comparison for Core Services



Key

EPM – Empty Property Management

RM – Repairs and Maintenance

TM – Tenancy Management

RA – Rent Arrears

M&CR – Major and Cyclical Repairs

Table 2 is reproduced in the diagram above to provide a more accessible overview of performance compared to other ALMOs. The cost of services is generally low but there needs to be a focus on improving performance across a range of performance measures.

Appendix 7 - Service Level Agreements with Newcastle City Council

We procure a number of services from Newcastle City Council. These services are provided through Service Level Agreements. Our Service Level Agreements are detailed in the table below: -

Service Area	Review Status	Value £
Design	Not reviewed - target March 2007	2,930,106
Grounds Maintenance	Not reviewed	1,705,249
Building Cleaning	Not reviewed - target March 2007	1,112,248
Environmental Services	Not reviewed	908,455
Cashiering	Not reviewed	400,000
Security - Void Alarms	Reviewed	202,800
Pest Control	Not reviewed	171,563
Highways and Street Lighting	Not reviewed	118,222
Energy	Not reviewed	111,766
Transport	Not reviewed	99,279
Welfare Rights Service	Not reviewed	88,948
Exchequer- Payroll	Not reviewed	77,600.00
Health & Safety	Reviewed	50,000
Exch - Income	Reviewed	44,088.00
Exch - Payments	Not reviewed	42,804.00
Internal Audit	Not reviewed	41,470.00
Communications	Reviewed	34,922
Complaints	Not reviewed	20,543
Democratic Services	Not reviewed	12,480
Citybuy	Not reviewed	10,521
Research	Reviewed	4,680
Property	Not reviewed	Schedule of Rates
IT	Elements reviewed	Subject to review of desk top support and website development and hosting
HR	Reviewed	Schedule of Rates
Legal	Reviewed	Schedule of Rates

The reviews planned for 2007/08 include:-

- Grounds Maintenance;
- Environmental Service; and
- Cashiering.