



**Value For Money and Efficiency Strategy (Draft)
2008 to 2012**

Nottingham City Homes
July 2008

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1 Introduction

Nottingham City Homes (NCH) produced its first Value for Money and Efficiency Strategy in 2006 and this document comprehensively updates it.

Value for Money (VFM) can be defined as the relationship between economy, efficiency and effectiveness. Economy is the price paid for what goes into a service, efficiency is a measure of productivity – how much you get out in relation to what goes in – and effectiveness is a measure of the impact achieved, which can be either quantitative or qualitative.

The term “*efficiency gains*” in the context of this document follows the Government guidance issued in 2004 –

- Reducing inputs for the same outputs
- Reducing prices for the same outputs
- Getting greater outputs or improved quality for the same inputs
- Getting proportionally more outputs or improved quality from increased resources

The Company aspires to excellence. An intrinsic part of this is the continuing drive to make best use of our available resources – financial, Information Technology (IT), equipment and staff time – to achieve the best outcomes for our tenants and leaseholders.

We must ensure that resources are utilised efficiently and effectively to maximise the quality, range, accessibility and impact of our services.

This strategy sets out the approach that NCH is taking to deliver greater VFM and efficiency in its business operations. It addresses the requirements of the Audit Commission’s Key Line of Enquiry (KLOE) 32 on Value for Money and the Government’s drive for efficiency as a result of the Gershon review and its most recent proposals outlined in October 2007. KLOE 32 is cross cutting, dealing with VFM for all housing activities, but each of the KLOEs has a VFM section focusing on the individual service requirements. NCH has produced a self assessment against KLOE 32 and this is contained at Appendix 1.

The Company has not previously produced an Annual Efficiency Statement (AES). Whilst the production of an AES by ALMOs has been considered best practice, it was not an obligation. However, to conform with best practice and to clearly identify efficiency savings the Company has decided that this should be done with effect from the identification of the 2007/08 actual savings and estimating the 2008/09 efficiencies. It is important to be clear that efficiency savings are measured against past expenditure and income, adjusted for inflation and volume. They also come from both capital and revenue expenditure. Hence efficiencies projected for 2008/09 may not be savings against the approved budget, since the budget may already include part or all of them.

The VFM and Efficiency Strategy is closely linked to the Company's Medium Term Financial Plan. It assesses and identifies possible areas of savings for the current and future years. The strategy is designed to involve all staff at all levels of the organisation and, most importantly, to be shared in an open way with our tenants and leaseholders.

The strategy is also linked to the Company's Delivery Plan and the Service Improvement Plans (SIPs). The SIPs ensure that VFM is considered as an integral part of all services and that responsibility for VFM is clearly assigned to individual managers, thus ensuring clear accountability.

We are committed to improving service performance whilst at the same time reducing the cost base. The Company faces the continued challenge of reducing HRA subsidy, which directly affects the resources available to the Council to pay for the management and maintenance of its housing stock. The effect of this is exacerbated by falling stock levels, through Right to Buy (RTB) and decommissioning of stock. It is therefore essential that the Company works closely with the Council to achieve the savings required. In the longer term the Company will fully explore options for expanding its business into other areas, including managing and maintaining other social housing and becoming a developing ALMO to replace some RTB losses with new stock. However we recognise the need to continue to improve our core business performance before this aspiration can be realised.

In some areas of the organisation significant efficiency savings will only be delivered by fundamental changes in the way we operate. These may require significant lead-in times before the full benefits can be realised. This strategy is therefore designed to be challenging and stretching.

The Company has operated in an environment where efficiency savings of 2.5% per annum, cashable or non-cashable, have been required since 2004/05, but looking forward we anticipate that 3% cash efficiencies will be required each year and this is the Company's target. A proportion of these savings in the early years of the strategy will go towards maintaining the HRA in balance. Only savings in excess of these will be available for reinvestment back into our business. There is considerable uncertainty surrounding the future of the HRA and the current subsidy system, with a government led review currently being in progress.

The strategy will be updated annually as part of the strategic planning cycle to –

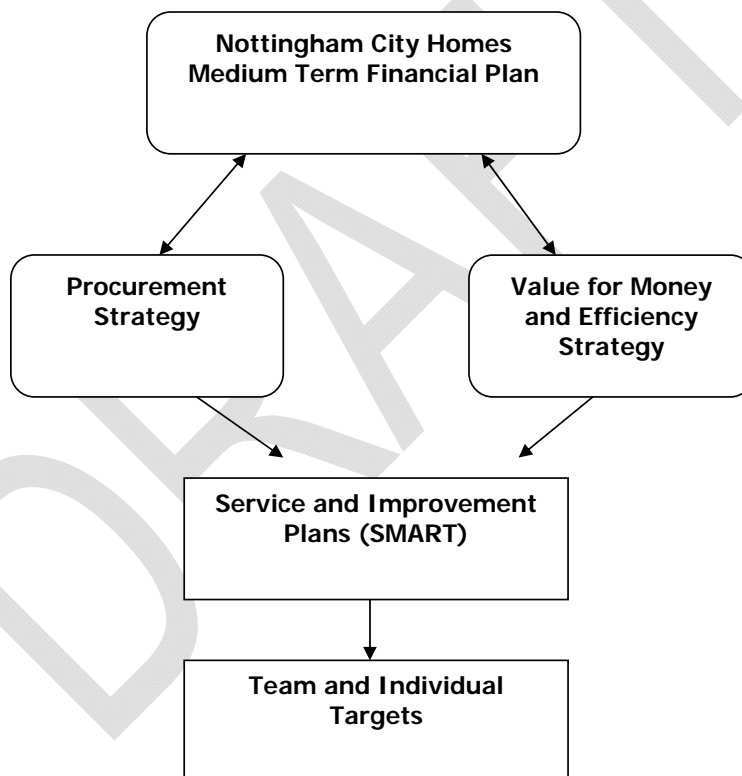
- Review the efficiency savings delivered for the year against the targets.
- Produce the efficiency plan for the new financial year.
- Reconcile the savings to the budget.
- Extend the strategy by a further year, to ensure that there is always a five year planning horizon.
- Review progress made on the action plan.

The Company will not concentrate solely on reducing costs. Its over-riding objective is the improvement of services for its customers. Pressures to improve efficiency must not result in a short term view being taken, as this could result in longer term objectives not being achieved through a lack of initial investment. Efficiency is a long term agenda and not a quick fix solution and must drive our aspiration to be an excellent service provider.

We have to improve and modernise the way we work, particularly with the use of information and communication technology (ICT) and knowledge management.

The Company will ensure that in pursuing the efficiency agenda it does not expose itself to more risks, or weaken control systems through attempts to reduce costs.

This strategy is designed to be a cross-organisation plan, which encompasses both strategic planning and operational delivery.



The strategy has brought together actions already being undertaken within the business, either through existing work practices, or from the Delivery Plan. This highlights that NCH fully recognises the importance of VFM and efficiency.

The Company will seek to ensure that all efficiency savings that it generates, in excess of those needed to balance the Council's Housing Revenue Account (HRA), will be used by NCH to re-invest back into its front-line services.

2 Historical Perspective

In 2005 the Audit Commission's inspection report for NCH highlighted a number of weaknesses around Value for Money –

- No sustained focus on value for money.
- No culture of value for money embedded in the organisation.
- Limited examination of costs of services or benchmarking against other similar services. Lack of analysis of unit costs.
- Costs of services not detailed and not used to review cost effectiveness.
- No evaluation of value for money of the DLO.
- Lack of multi-skilling in operatives and high levels of variations for jobs.
- Technical section has insufficient technical and budgetary control skills and has under spent.
- Financial regulations do not include modern procurement techniques.
- Not achieving the 60/40 ratio on planned to reactive maintenance works.
- No value for money assessment of the Housing Operations section.
- Limited value for money assessments of large parts of the service.
- Budgetary controls are weak.
- No agreed value for money or procurement strategies in place.
- Office accommodation has not been subject to a VFM assessment.
- No review of SLAs from the City Council.
- No clear business case to support non-housing work.
- There are inadequate budgetary controls for repairs and maintenance.
- No robust recharge policy in operation and not aware of the amount of repairs that should be recharged to tenants.
- Rent revenue is being lost through the poor performance on turnaround on homes to be re-let.

The Housing Quality Network (HQN) made the following recommendations in October 2007 -

Priority

- Make results of SLA reviews transparent
- Demonstrate VfM strategy is active and VfM SIP is being executed
- Produce procurement strategy which is driven by awareness of spending and supplier/contractor performance and implemented through a robust SMART plan
- Ensure SIP VfM actions are completed
- Create VfM KPIs, by service, which measure progress against economy, efficiency and effectiveness
- Demonstrate thorough understanding of cost performance to explain and improve benchmarking results

Longer Term

- For all types of procurement, make clear the cost and quality gains achieved to demonstrate that changes are embedded and producing results
- Consider cost and benefits of shared services
- Empower tenants to fully engage with VfM agenda enabling them to scrutinise, challenge and decide on priorities and judge progress

3 Current Position and Achievements to Date

In preparing its budget for 2008/09, the Company produced a significant net reduction in its costs compared to the previous year's budget. The management fee for 2007/08 was £33.567m but for 2008/09 this was reduced to £33.099m. The real terms reduction is considerable and presented the Company with major challenges because the effects of inflation and reducing stock numbers provided an indicative figure of £34m.

The approved Delivery Plan has identified a number of actions within the key deliverables which will contribute directly towards improving efficiency and value for money within the business. These are explicit in the SIPs that support the Delivery Plan.

The Council has undertaken detailed modelling of its HRA income and expenditure as part of its medium term planning and this data is essential to the Company's financial forecasting and planning. This modelling work indicates that the savings required by the Council's Housing Revenue Account (HRA) over the next five year are as follows. These will be achieved through a combined strategy of cost containment, income maximisation and efficiency savings. The savings required for 2009/10 represent approximately 1% of the revenue cost base of the organisation –

Year	Total Savings Required
	£'000s
2009/10	500
2010/11	500
2011/12	500
2012/13	500
Total	

The effect of the pressure on HRA resources is that only those efficiency savings which are over and above the savings identified in the table will be available for reinvestment back into the services that the Company provides.

Achievements to Date and Progress against the Recommendations

There is now a much stronger focus on VFM within the organisation. Fully embedding this throughout the Company will take longer, but sound progress is being made.

Benchmarking is now undertaken across the business, with an emphasis on Housemark since this enables comparison with a maximum number of providers with similar characteristics. A further advantage of using Housemark is the robust validation process which helps to ensure the integrity of the data. Some services participate in more local specialist benchmarking groups.

Since early 2007/08 there has been a far stronger emphasis on budgetary control across the business. There are regular monitoring meetings between budget managers and finance officers, monthly reports to the Executive Management Team and to the Council and quarterly reporting to the Performance and Regulatory Committee. Further refinements are being introduced to the process for 2008/09, to increase flexibility and improve clarity for managers.

To address many of the issues concerning the Direct Labour Organisation the housing repairs and maintenance service was market tested. This process was undertaken through the EU Procurement route, on the basis of a 5 year contract, with the option to extend for a further 2 years. The DLO bid in competition with a number of major national housing maintenance contractors, but emerged as clear winners on both quality and price from a process that was robust and subject to considerable scrutiny. The evaluation process involved tenants and leaseholders extensively.

To prepare for the tender submission a very close examination of the DLO costs was necessary. The Audit Commission had recommended that multi skilling of the workforce was necessary and this has been undertaken to a degree. However, there are other examples of significant cost reductions, including –

- Reduced reliance on sub contractors by making more effective use of the direct labour force (includes an element of multi-skilling)
- Completing more repairs on first visit – this is clearly more cost effective and improves the service to our tenants.
- Replacement of the vehicle fleet with a new one from July 2008, procured on a 5 year contract hire basis, inclusive of all repairs and maintenance.
- Rationalisation of depots, bringing about a reduction in running costs.

A review of the governance arrangements has resulted in refreshed Standing Orders, Tender and Contract Procedure Rules, Scheme of Delegation and Financial Regulations to ensure that the Company's control systems are fit for purpose and robust. In addition a Procurement Strategy was produced in 2007 and then updated, together with a Procurement Action Plan in 2008.

A programme to review the SLAs with the Council commenced in 2007 and this has proved to be a challenging area for the Company. Progress has been rather slow but lead managers continue to move forwards, achieving cost reductions in some areas and procuring some services from other providers.

A programme of VFM reviews for the coming year has been identified, to ensure that the Company is obtaining the best value that it can. The first focus of the reviews will be on the small number of discretionary areas of service carried out for the City Council. In principle these services provide an opportunity for the Company to bring in a contribution towards its overheads. However, a sound

business case is required to ensure that there is no subsidisation from our core business – effectively financed by tenants. The schedule of reviews is attached as Appendix 4 to this Strategy.

A recharge policy has been drafted to ensure both that opportunities to recharge tenants for costs that should rightly be met by them personally are not missed and that the debts are raised and appropriately followed up.

A considerable amount of work has been undertaken to reduce the time taken to re-let vacant properties and at the same time reduce the rent loss. Significant improvements have been achieved through bringing together the Voids, Allocations and Lettings teams within the Company so that there is joint working and shared responsibility. This proved effective in 2007/08, with considerably improved performance.

The SIPs are reviewed on a monthly basis through the year and it is at this level of detail that the improvement plans are monitored. Progress in achieving the outcomes within the VFM SIP has been very challenging and further details of this are included later in this document.

HQN produced three longer term VFM recommendations and significant progress has been made with two of those. Cost and quality gains will be made clear, through completing the Procurement Action Plan and this in turn will link to the Annual Efficiency Statement. Progress has been made with empowering tenants to fully engage with the VFM Agenda and the next section deals with this in more detail.

4 Consultation with Customers and Stakeholders on VFM and Efficiency

The Company aims to provide services to its customers that meet clearly agreed standards at reasonable cost.

Tenants and leaseholders have the right to expect –

- The right service
- At the right quality
- At the right time
- In the right place
- At the right price

Only when we meet these expectations, can we say that we are being effective in our objective of satisfying customers. We very much want our customers to be involved in -

- Setting service standards
- Making choices about service delivery
- Developing the procurement strategy
- Monitoring performance against agreed service standards
- Testing VFM of services or procurement methods

Service improvement and efficiency gains cannot be effective without good consultation with our customers and other stakeholders including the Council and our staff.

We will use our established forms of consultation and will also use additional consultation methods whenever we need more information. These include annual checks on resident satisfaction within housing management and maintenance areas, Tenant Inspectors and obtaining customer feedback through the Vision Management System for 4 priority areas (Decent Homes, responsive repairs, estate services and new tenants).

We recognise that we need to engage with residents who are harder to reach. This is being addressed within the approved Delivery Plan.

In determining the areas to be subjected to a VFM review we will always ensure that the areas that matter most to residents are prioritised and ask residents for their ideas about where they consider that efficiency can be improved.

Our aim is always to ensure that as much as possible of any efficiency saving is reinvested back into front line services, including to strengthen performance in key areas such as voids and arrears, which in turn should lead to a continuous cycle of improving performance and more investment in better services.

However, we cannot commit to investments in services until the savings to fund these have actually been delivered within the business; otherwise there is a risk that our resources are over committed.

The Tenants Conference in December 2007 included sessions where spending preferences were addressed and the development of the Asset Management Strategy focused on tenants' priorities and seeks to reflect those in the capital programme and the budget setting process for 2008/09 included more extensive consultation with tenants than had previously been undertaken.

This is being further developed for the 2009/10 with consultation beginning earlier and in greater detail. A framework is being drafted so that there will be full consultation on spending levels and rent and service charge options. This will be made available for tenants to consider during August for the process to start in the autumn.

Similarly, the performance reporting framework is being developed and will be discussed with tenants in the summer for regular reporting of key indicators to be fully agreed.

In later sections of the strategy the progress made on involving customers in procurement decisions is described. However, more involvement requires a greater number of tenants and leaseholders in participating. Work on recruiting and training is taking place over the summer and autumn.

It is important that this document can be accessed by our customers and it will be made available alongside the Company's other key documents, plans and strategies.

5 Equality and Diversity

Delivering quality services to all our customers is integral to achieving our objectives and driving excellence. We will ensure that the drive for VFM and efficiency promotes equality and diversity and is not at their expense.

Nottingham City Homes will promote equality in all procurement processes and will adopt the Commission for Racial Equality's guidance on equality considerations with existing contracts and when taking on new contracts. The organisation will endeavour to ensure that all partnership agencies sign up to our Equality and Diversity policy and will ensure that procurement practices undertaken do not exclude other equality target groups.

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6 Procurement

Procurement is a key means to improving VFM.

There are four main categories of VFM gains from procurement activity as follows:

- Developing and maintaining expertise in procurement
- Negotiating an improved deal with a supplier
- Aggregating demand to exert greater leverage from suppliers
- Reducing process or transaction costs

The Company has established a procurement team to co-ordinate purchasing across the Company and avoid individual managers obtaining goods and services at potentially higher cost than could be secured through a collective arrangement for the Company or through consortia. This team will continue to develop its role across the Company and help to achieve further VFM gains.

As awareness of VFM across the Company has grown, there have been examples of renegotiating deals with suppliers. This has happened with the SLA reviews with the Council, e.g. HR, and there have been examples with external suppliers, e.g. Homelink advertising. The Procurement Action Plan will focus on key areas where there is further potential for savings.

Significant gains are already being achieved through the use of consortia, such as Central England Procurement Partnership, Procurement for Housing and Efficiency 4 North. Further consortia opportunities will continue to be sought.

Key to reducing process costs is improving the use of ICT. To achieve this extra investment is essential and this needs to be over a period of time. Further details of the Company's investment plans are included elsewhere in this document.

Reducing process costs in a procurement context will produce VFM savings typically through eliminating or substantially reducing the need to use handwritten documents which then get transferred to ICT systems for further processing, potentially then requiring printing of documents to send on to suppliers. The streamlining of these processes has the potential to speed up and improve service delivery to customers, reduce staff time, save postage costs and help the supplier make efficiency savings which could, in turn, be to our benefit.

The Procurement Strategy sets out in detail the Company's approach.

7 Service Level Agreements and Recharges

The Company has a series of service level agreements (SLAs) with the City Council. In addition to these SLAs, the company receives a number of recharges from the Council, some of which carry a significant monetary value. These SLAs and recharges are detailed in Appendix 6.

The 2008/09 budget for SLAs and recharges to the business is £7.375m, which represents 11% of the total costs of the business. However, notice to terminate the agreements was sent early in 2008 for four agreements – HR, Property Services, Fleet Management and Housing IT – having a total value of £2.212m. Alternative provision will not, of course give rise to a saving of that whole sum, but the 2008/09 budget includes for £350k to be saved through renegotiation, internal provision or alternative external provider.

The Company aims to complete its review of all of these SLAs by 31 March 2009, to ensure that they offer good value for money for the company, in terms of both costs and outputs. The programme to complete these is set out within Appendix 3.

Typically a review will cover the following –

- Definition of the level of service required - with appropriate consultation with customers of each service, see below.
- Comparison of the service required with the service provided by the City Council.
- Understanding of the level of consumption of services provided by NCC and identification of any duplication of effort between services purchased and those delivered already within the Company.
- Determination of whether the current price is the best available for the level of service required (including market testing where necessary). To include benchmarking of cost and quality with other social housing providers.
- Development of alternative options for service provision.

Customer involvement/customer consultation – where services are directly received by customers, the Company will involve them by –

- Holding service review events with customers to challenge the service, and/or
- Service specific questionnaires drawn up and issued, and/or
- Customer satisfaction surveys, and/or
- Customer newsletters used to obtain views, and/or
- Introduction of tenant led inspection processes.

During these reviews, the following options will be explored –

- Continue with NCC providing the service.
- Reconfigure the service currently provided, to one specified by NCH and its customers.
- Outsource the service to an external provider.
- Bring the service in-house.

In considering its options, the Company will ensure that any decisions are taken based on the overriding aim of the provision of quality services which offer value for money. We fully recognise that the cheapest option is not necessarily the best.

The Company will also ensure that it holds regular and open discussions with the City Council over the future of the services which are currently provided by them to the Company. Decisions to outsource will only be taken once all options have been explored with the City Council and have failed to reach a satisfactory agreement on cost and/ or quality criteria.

For any SLAs that are retained with the Council, NCH will manage these on an arms length contract management basis, in which levels of service and performance are agreed and targets set, costings for each part of the service are known and where any underperformance is actively challenged, that value for money is obtained.

The budget includes a target of achieving a total £350,000 reduction in SLAs and recharges in 2008/09 and further target reductions are included in the Medium Term Financial Plan.

8 Partnerships

NCH is working in partnership in the following areas –

- Decent Homes delivery
- Choice based lettings
- Antisocial Behaviour
- Repairs Contract
- Contract Delivery Partnership

Further partnership opportunities will be explored, focusing on –

- Providing the opportunity for greater levels of output/outcomes for the same level (or fewer) resources.
- Providing greater flexibility in service provision.
- Opportunities to share overheads.
- Allowing us to obtain skills/knowledge that we don't currently possess as a company.
- Providing the opportunity for joint procurement.
- Preventing duplication and wastage in areas where we are currently working geographically with partners.
- Preventing us from 'reinventing the wheel' if someone else has already done it.

The Company will ensure that proper partnership working arrangements are in place, i.e. that the liabilities are clear for each member of the partnership, that appropriate reporting mechanisms are put in place, that performance criteria are set from the outset in order to ensure that efficiency is delivered and that funding arrangements are transparent. A full risk assessment will be conducted, prior to entering into any arrangement.

9 Benchmarking

The Company uses Housemark as its primary focus on benchmarking, since this enables comparison with a maximum number of providers with similar characteristics.

Benchmarking is not just about looking at costs, but understanding why they are what they are. It is about looking at the different services that are provided by its peers and making judgements about whether the difference in service levels, justify the differences in cost. The Company will continuously ask itself whether it can support an increased cost in a service. This will only be where the output is significantly better and one that the customer requires.

More specifically, this will -

- Enable the organisation to benchmark at service level, which will provide the drill down into performance levels.
- Make available information on the number of staff used to provide a specific service which will identify whether we have high employee costs.
- Have access to local benchmarking clubs within Housemark.

Benchmarking is a key tool in ensuring compliance with KLOE 32.

A key theme of the Audit Commission's KLOEs is benchmarking down to service level. This will need to be supported by financial information down to service level, rather than being at the departmental or cost centre level as at current. This additional analysis will enable –

- Identification of inefficient activities.
- Setting realistic targets for improvement.
- Drilling down below summary level indicators.
- Generating a rounded picture of efficiency.
- Comparing costs as well as performance.

Housemark results for the ALMO benchmarking club are published in draft in September, with the final report following shortly afterwards. The Company seeks to benchmark with organisations who deliver 'best in class'. By doing this, NCH will seek to identify new and innovative practices that can be applied to the company.

The Company's 2006/07 Housemark data revealed that unit costs for core housing management were in the bottom quartile for ALMOs. 2007/08 data will be published early in the autumn, but early indications are that a significant improvement has been achieved overall and that some services have moved to second quartile. Our target is to reach second quartile overall in 2008/09.

10 Performance Management and How Efficiency is Monitored

Effective performance management is a critical factor in delivering sustained improvements and helps demonstrate whether service objectives have been met. It also provides a track record of self-improvement and the delivery of better services to customers. Therefore the Company has put considerable effort into developing its performance management function.

It is vital that we assess baseline resident satisfaction and then check results with any service area that is subject to review and change. Resident satisfaction measures are key indicators of quality.

The Company has reviewed its performance management reporting and the arrangements in place for setting challenging targets. Performance management alone is not sufficient. It has to be combined with good leadership, risk management and strong financial management to be truly effective.

The Company has adopted performance measures for the service improvements identified within the Delivery Plan, in order that it can be sure that tenants are getting value for money from all the services provided. These measures will continue to be refined.

Every performance indicator has a designated manager to ensure that there is full accountability.

Financial and performance reports are provided to the Executive Management Team on a monthly basis, to the Council monthly and to the Performance and Regulatory Committee (P&R) quarterly. These include data to enable a focus on how near or far away the service is from top quartile performance. Each of these groups will frequently select an area of service to focus on at their meetings – a “performance clinic.”

Planned efficiency targets and actual savings will also be monitored through the Company’s management accounts and progress against planned efficiency savings for the year will be reported to (P&R).

Given the constraints on budgets available, just increasing resources is not the correct response to dealing with problems. We have moved towards a culture of challenge, where the causes of poor performance have to be determined. A full business case is then provided to ensure that increased resources are more than offset by an increase in benefits. This may result in pilot programmes, where a post implementation review is carried out to confirm the benefits arising, prior to committing permanent resources to the area.

11 Identified strategies For VFM/Efficiency Issues

Section 3 makes reference to the reduction in the management fee from 2007/08 to 2008/09 and the impact on the Company. There was also a real terms reduction in the repairs and maintenance budget, which is held by the City Council but delegated to the Company to manage.

A number of efficiency savings are planned for 2008/09, but the Company recognises that refinement is required for 2009/10 and thereafter. One of the areas where significant efficiency savings accrue from 2008/09 and beyond is in repairs and maintenance due to the review of the Company's direct labour organisation.

Whilst a tight settlement is expected for the HRA for next year it is not expected to be as severe as for 2008/09. However, pressure on HRA resources will remain.

The Company will undertake a series of VFM reviews, included as Appendix 3.

For future years the reviews will be scoped and prioritised in consultation with our customers and stakeholders. The timescale will be aligned with the budget process, so that outcomes are available in September to inform budget setting –

All VFM reviews conducted will be designed to:

- Challenge custom and practice, think radically and long-term.
- Aim for added value as well as savings.
- Invest in long term improvement.
- Carry out impact assessments before the implementation of efficiency initiatives, to manage the risk of damaging service delivery.

The identified strategies are split between those for the whole organisation and directorate specific.

General Strategies

1. Use benchmarking data to identify areas of spend which are higher than the norm and drill down to understand the causal factors.
2. Further embed VFM into the culture of the organisation, with a programme of training and/or workshop sessions with the Board, managers and staff starting immediately and continuing as a regular feature to ensure that all new Board members and staff are included.
3. More focus on VFM and Efficiency in the induction training to all new employees.
4. Regular VFM updates in team briefing and as a feature of team meetings.
5. Highlighting VFM in our suggestion schemes
6. Undertake a rolling programme of VFM Reviews.
7. Use partnerships wherever possible to achieve value for money.

8. SLAs with the Council will be subject to regular reviews and market tested where appropriate.

Directorate Strategies

These are set out in Appendix 1.

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12 How the strategy addresses KLOE 32

The Company has carried out a self assessment of its current performance in VFM and efficiency against the KLOE 32 and this is included as Appendix 2.

NCH aspires to be a three star ALMO and therefore for those areas that we have identified where we are not achieving the excellent service standard, we have incorporated the necessary actions into our VFM action plan. The plan will be monitored as part of the Company's regular performance monitoring management.

An annual self assessment against KLOE 32 will be undertaken to ensure that progress towards the excellence standard is being achieved. This will be undertaken at the same time as the production of the Annual Efficiency Statement.

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13 Risk

The risk to the business of this strategy is that a continued focus on savings could possibly undermine service quality. It is therefore essential that the concentration is on efficiency and value for money and not simply on cost reductions.

Failure of NCH to achieve the savings required will result in the Company being unable to balance its books and for those efficiency savings that impact on the Council's income, the Housing Revenue Account Resources.

Failure to demonstrate an effective and fully embedded Value for Money and Efficiency strategy will result in NCH failing to demonstrate that it is at the standard required for a successful two star Audit Commission inspection.

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13 New Initiatives and VFM & efficiency

The Company will explore new initiatives to increase its income, outside of that of just managing the Council's properties. However, this must not be done at the expense of its core business.

Any new initiative proposed needs to ensure that VFM and efficiency issues are considered at the appraisal stage. This needs to consider –

- What additional net income can be generated and comparison of this with other competing new initiative options.
- What costs can be saved which can be reinvested back into the business (but not at the expense of quality or the creation of costs elsewhere in the organisation).
- The expected increase in customer satisfaction as a result of the initiative – i.e. does it directly address issues raised within tenant satisfaction surveys or complaints received.

We will proactively seek new income streams to offset the reduction in the management fee from the Council as a result of the declining stock numbers due to RTB and other disposals. We will therefore consider a range of possibilities to include (amongst others) –

- Providing additional services to the Council for which a separate management fee would be negotiated.
- Considering managing the stock of local RSL's.
- Providing consultancy support to other social housing providers.
- Investigating other business development opportunities such as providing repairs services to leaseholders and RTB owner occupiers.

The Company's first priority is to achieve its two stars and that it should not embark upon wider business development until it has established its own position and credibility. The development of new income streams will therefore take place in year 2 of this strategy.

14 Maintaining Efficiency

The Company is committed to delivering the Government's VFM and efficiency agenda. This commitment will be cascaded down through the organisation.

We welcome ideas and encouraging innovation within a participative culture, which should in turn increase quality standards and staff motivation.

The Company will –

- Prioritise areas for review and improvement
- Monitor progress on efficiency and performance
- Undertake in efficiency reviews
- Set stretching targets
- Ensure customer views are given a priority
- Prioritise customer services for reinvestment of savings

A VFM action plan has been developed, which aligns with the SIP. This will be subject to a quarterly review to ensure that NCH is on schedule to deliver the efficiency targets and VFM savings, taking corrective action where required.

Efficiency targets will be cascaded down the organisation and integrated into individual directorate service and improvement plans and then into team/individual targets for the year. NCH will consider building this element into staff annual appraisals.

Training will be provided to the Board on value for money and efficiency issues as an integral part of the Board training programme.

The EMT will implement this strategy, demonstrating its commitment in this area and ensuring that Value for Money and Efficiency objectives are realised on target.

A successful implementation will require –

- Ensuring progress of the VFM and efficiency SMART action plan,
- Leading and developing the culture of VFM within the organisation
- Determining future priorities of VFM and Efficiency reviews within the organisation based on benchmarking, KPI results and customer satisfaction survey reviews.
- Ensuring that all market testing of services is properly conducted.
- Ensuring that a rolling five year VFM and Efficiency Strategy is produced.

Involvement of all staff in driving the efficiency agenda is essential to –

- Develop 'ownership' of change and support effective implementation

- Encourage new ideas for improved efficiency and effectiveness
- Embed efficiency and a culture of improvement throughout the organisation, establishing a thread between organisational objectives and those who deliver services
- Include frontline staff, who are better placed than anyone to see the risks in efficiency proposals and suggest solutions

Collaborative efforts should drive innovation, creativity, productivity and improve motivation and organisation climate, which should in turn improve the overall potential for increased performance.

The Board will receive an annual efficiency report from 2008/09 on the forward and backward look annual efficiency statements, which will evaluate our performance in achieving efficiency savings in the previous year and suggest to the Board the proposals for how the efficiency savings will be reinvested in the business.

The Company fully recognises that in making its business decisions, it must consider efficiency and clearly make the link between investment costs and expected outcomes.

Directorate Strategies

Finance and ICT

Budgetary controls will be tightened in all areas and management accounting information improved. Budget profiling will be refined to ensure that monthly budgets represent true targets and reflect recognised spending patterns. Management accounting data will include the trading position of the Company's in-house repairs and maintenance contractor.

The Finance Team will work closely with managers and the Business Improvement Team to establish service cost data. Finance staff will attend DMTs across the Company to focus on financial and VFM issues.

An Annual Efficiency Statement (AES) will continue to be prepared by Nottingham City Homes which can feed into the City Council's AES. This assumes a continuation of current Government requirements for reporting efficiencies. Should there be any changes, the Company will ensure that it follows best practice.

All budgets which have a value of £100k or more across the business will be reviewed. This level has been chosen to provide scope for efficiencies to be found whilst worth the investment of NCH's time in reviewing it. In many cases this work will involve the procurement team and will help to inform prioritisation of their work in reviewing how we procure particular goods and services within the Company.

The maximisation of return on ICT investment is a key part of delivering optimum efficiencies in both internal processes, dealing with transactions and in its contact with the customer. A revised ICT Strategy has been developed for the organisation and an investment plan prepared. Included in the 2007/08 development bid, were projects requiring It investment which totalled £xxx. Most of this was not completed by the end of March 2008 and will be undertaken in 2008/09. In addition £200,000 was included in the base budget for 2008/09 to help fund the requirements identified in the ICT Strategy.

All the workstreams identified in the strategy are linked to the Company's key objectives, the Delivery Plan and priorities of the organisation.

The harnessing of technology and the resulting simplification and streamlining of processes, operations and communication will both reduce the staff requirement within the business and provide improvements to service delivery.

The business carried out a thorough review of its information system (IS) requirements towards the end of 2007 and produced an IS Strategy before developing the ICT Strategy. We therefore consider that this gives the Company a robust platform on which to develop our future ICT investment plans.

Organisational Development

Our staff are essential to the delivery of an efficient and quality service . We have begun and made some progress with the better control of sickness rates amongst staff but need to do more. Monitoring data is scrutinised on a monthly basis and is compared on a quarterly basis to other ALMOs using Housing Quality Network. We believe that it will take three years to achieve top quartile performance.

In the past the Company has experienced high levels of staff turnover, which decreases productivity and potentially reduces customer service, whilst increasing recruitment costs. A new staff structure for the whole Company has now been implemented and this, coupled with the Company's "Culture Change" programme is expected to lead to far lower turnover levels. We will monitor this closely.

A Company suggestion scheme is in place to encourage staff to put forward ideas and suggestions for improvement. This will be given a VFM focus to encourage innovative ideas from all staff.

Staff satisfaction surveys are carried out annually, the last being July 2008.

Employee costs within NCH represent 55% of the total costs of the business. Our total staffing cost is high and we will work to –

- Examine benchmarking data to identify which areas within the business, our employee costs are outside of the norm range,
- Reduce staffing levels to match income reductions
- To carry our human resource planning to maintain the ideal structure to suit business needs.

Property Services

Capital Works

The following are key areas for efficiency gains in the area of capital works –

- Reduced costs and/or more for the same in procurement of materials, project management and labour.
- Greater reliability and predictability of works.
- Greater tenant satisfaction.

NCH Expenditure Plans

The Asset Management Strategy identifies £309m of capital investment, including £166m of Decent Homes funding from the Government which is dependent on achieving 2 stars at the Audit Commission inspection in November 2008. The total spend on Decent Homes is likely to be around £243m

Consortia and Partnering

Section 6 above highlights the approach that has been taken to procurement and the Procurement Strategy provides more detail on this.

Benchmarking

A suite of KPIs that relate to the decent homes programme is used to compare with other ALMO's performance and this will continue to be developed.

For capital works NCH will explore the use of the Housemark benchmarking service on capital works, which aims to measure the capital works performance –

- Against peer organisations
- By individual projects
- Against industry-standard data.

Satisfaction with the planned maintenance programme

The Company uses Vision Management to monitor customer satisfaction with its services. This technique is being rolled out across the Company during 2008/09 and will continue to be refined and developed.

Procurement

The Procurement Strategy was initially developed for Property Services and has been refined and updated to recognise the considerable advances made in techniques over the last couple of years and covers the whole **Company**.

Comment [A1]: Add in elements from revised procurement plan

Effective targeting of resources

To be effective, investment spending must be linked to tenant priorities, sustainability criteria and improvement needs of the stock.

Considerable progress has been made in engaging and involving tenants and residents in planning capital works priorities. During 2007/08 tenant involvement in the evaluation and performance of contractors was also significantly improved and further development will continue.

The Asset Management Strategy for the whole of the HRA stock was approved by the Council in December 2007. This followed a stock condition survey earlier in the year. The strategy will be kept under **review**.

Comment [A2]: Link to new Secure – Warm – Modern programme from AMS based on customers priorities as determined at Tenant Leaseholder Conference

A review of information systems for asset management data has been undertaken and further investment in a new system was made in 2007/08.

Restructuring of the finance team has ensured adequate resources to work with Property Services as a whole to support on the planning, monitoring and forecasting of the capital works programme from 2008/09.

Engaging With Residents/Quality of Service

NCH currently consults with tenants and residents through its Area Panels and the Tenant and Leaseholder Congress.

Tenants were involved with the initial selection of constructor partners and have regularly attended meetings where performance is discussed.

The Company will continue to extend and improve tenant participation in decision making about priorities for programmes of works, progress of delivery and evaluation of contractors.

To ensure quality standards are met, there are quality assurance teams that undertake post work inspections and make an assessment on the quality of the work. Tenant inspectors also make checks to see whether standards are being reached and Vision Management surveys are sent to 100% of tenants that have decent homes work undertaken in their homes. A 3rd party inspection performed by KWest is also used to ascertain whether or not the customer is satisfied.

Common Specification on Component Replacements

NCH has used common specifications agreed with customers and where possible uses one manufacturer in order to obtain discounts through volume procurement.

Value for Money Indicators

The following VFM indicators are now used to measure achievement of value for money in the capital works area. We will keep these under review and add to or subtract from the list where it enhances the measurement of the service.

- Out-turn costs compared with budgeted costs.
- Proportion of homes non-decent.
- Annual percentage change in number of homes non-decent.
- The Company's client-side staff costs compared to value of annual programme.
- Procurement costs compared to value of annual programme.
- Proportion of customers satisfied with capital works.
- The extent of defects measured by tenants' satisfaction survey.

Repairs and Maintenance

Market Testing of the Maintenance Service

The service has been subjected to a robust market test and the internal contractor was awarded the tender after achieving higher scores than the competitor contractors for both quality and price. Tenants and leaseholders played a major role in the evaluation.

Customer satisfaction and involvement

- Introduced more flexible appointment systems to customers. This increases efficiency as well as enhancing customer satisfaction.
- Tenants have contributed to the design of the lettable standard, which clearly provided information on the costs attributable and highlighted the financial consequences of selecting different levels.
- A tenant inspector training and inspection programme has been developed.

Higher quality in time taken and reduced repeat visits

- Introduced more effective diagnosing of repairs calls to reduce repeat visits.
- Further investment and development in the call centre will be undertaken and the use of Customer Relations Management systems introduced. The benefits of this are improved diagnostics, better work planning, faster response and more jobs completed in one visit.
- Hand held technology is being introduced in 2008/09, leading to more effective use of the workforce and improving the service to customers.

Benchmarking

- NCH uses the Association of Public Service Excellence performance networks, which annually collates benchmarking data that can be measured against a large number of authorities.
- PSnet – public service networks is used to benchmark using the 'basket of repairs' approach.
- Housemark benchmarking is also used.

Procurement and Materials Management

- Purchasing Cards are used as an efficient means for employees to obtain materials from suppliers. A robust control framework is in place to reduce the risk of misuse.
- The Procurement Strategy was originally produced for Property Services and has now been developed for the whole Company.
- A procurement review of all building related products has already been undertaken to reduce administration expenditure by consolidating existing suppliers.
- The Procurement Strategy provides full details.

Common Standards

The Company has demonstrated that as a large ALMO it is able to achieve economies of scale in its own right. However it recognises that it could achieve further savings through agreeing common standards of service with other ALMOs and RSLs and obtaining even greater economies in materials procurement. Considerable progress has already been made in this area and the Procurement Action Plan sets out ways in which this will be developed.

Other Efficiency Areas and achievements

- NCH carries out regular internal checks on the condition of properties to ensure that the condition does not deteriorate to a level where major investment is required to put it back into a lettable condition.
- Security screens were retendered in 2007/08. Substantial savings in this budget have been achieved as a result of a much lower cost for the same specification
- Reduced void numbers and moving away from the universal use of screens to a more sophisticated policy for dealing with properties that are temporarily unoccupied.
- Depots are being consolidated in 2008/09 with the full year benefit of this becoming effective from 2009/10.
- More efficient working – manual employees are encouraged to go straight from home to their first job
- By having stocked and equipped vans.
- Hand held technology and vehicle location software will be introduced during 2008/09.

Comment [A3]: This needs to link to the case studies in the procurement strategy update – with PS

Value for Money Indicators

The following VFM indicators will be used to measure achievement of value for money in the repairs and maintenance area –

- Total repair costs for the year (including revenue voids and cyclical/planned works).
- Proportion of out-turn costs to budget.
- The % of repairs for which an appointment is made and kept
- The % of all routine and emergency repairs completed on target
- The % of all emergency repairs completed on target
- The % of routine responsive repairs completed within target
- The % of customers indicating that they were satisfied with the responsive repairs service

Housing Operations

Housing Management

The following are key areas for efficiency gains in management

- Fewer arrears
- Fewer voids and shorter turnaround times
- Lettings and tenancy management
- Collection of leaseholder charges
- Tenant satisfaction.

Income management

Improving the rent collection rate has proved very difficult for the Company and will clearly require sustained effort to bring about a cultural change. We believe that it will take three years to attain top quartile performance for rent collection.

The Rents Call Centre deals exclusively with tenants on rents issues. It is intended to bring the Company's call centres together dealing with all aspects of the service but this is a long term project.

Extending call centre opening hours has been piloted to ensure that the chances of reaching tenants are maximised. More effective in making contact with tenants is home visits and the time spent in face to face contact is being extended in 2008/09. This requires some changes in working practice or may require additional staffing, with consequent cost increases which have to be carefully considered against additional rent income collected.

The performance of and good working arrangements with the Housing Benefits service are always key factors in keeping arrears levels low. A joint working protocol is in place and this will be kept under constant review to ensure optimum arrangements.

Agreement has been reached with the City Council that there will be a full review of tenant service charges. As charges have been increased and adjusted over the last ten years or so since their introduction, some of them have moved away from recovering the actual costs of services provided. This potential cross subsidy for particular groups of tenants may be unfair and a transparent process for review and rectification must be undertaken, starting in the current year to allow for a correction process to begin in 2009/10.

A new Leasehold and Rechargeable Repairs Team was created in 2007 to develop the service to leaseholders, increase collection rates and improve the level of service. Progress will be closely monitored as part of the Company's regular performance monitoring arrangements.

Challenging targets for income collection and customer satisfaction will be set for the medium term, but it is recognised that improvements will take time.

Void

Fundamental changes to the management of void properties have been implemented. The whole process of allocating, letting and repairing a property ready for a new tenant has been brought together under the Assistant Director (Housing Services). This ensures that there is joint ownership and responsibility and the performance indicators from 2007/08 demonstrate a real improvement in performance, bringing in significant additional rent income.

Choice based lettings has been introduced and is earmarked for a VFM review.

As a result of the reorganisation of the function, repairs to vacant homes are to be completed within challenging target times.

Transfer inspections on pre-termination of tenancy visits are now standard.

Tenant inspectors conduct tenant exit surveys.

Recharge procedures for costs of clearing properties and for damage caused by outgoing tenants are being reviewed during 2008/09 to ensure that they are fit for purpose and that all charges due are promptly raised. Additional income should be collected as a result, although it is recognised that recovery rates are typically low across the social housing sector as many tenants cannot be traced.

A programme of review of business processes has begun and re-engineering, together with ICT enhancements, should make the allocations and lettings functions more streamlined and efficient in later years.

NCH will continuously benchmark with ALMOs and seek out best practice.

Hard to let properties – The Delivery Plan identifies that, jointly with the Council, it needs to develop long term options for stock which is consistently hard to let.

Customer Satisfaction and involvement

A project to amalgamate the separate call centres to provide a comprehensive service will be developed. The benefits of this will be reduced running costs and an improved level of service. Investment in accommodation, ICT hardware and software will be required and a full business case will be produced as a first step.

Sharing best practice across the organisation

NCH works in a number of local offices and therefore it is essential that best practice in one area is then replicated across the organisation and efforts to achieve it are not duplicated, resulting in waste.

Pilot programmes/initiatives carried out in one area, if successful, are rolled out to other areas.

The intranet is used to hold the latest procedures, policies and best practice notes for access by all staff. This is also used to share ideas and the findings of task groups looking into specific areas.

Value for Money Indicators

The VFM indicators for the Housing Management service are as follows -

- Average time taken to relet our properties
- Rent loss from vacant properties
- The % of new tenants satisfied with the overall service
- The % of new tenants satisfied with the condition of their new home
- Rent Collection (BV 66a)
- Local Authority rent collection and rent arrears : In-year collection figure
- The number of LA tenants with more than seven weeks of rent arrears (BV66b)