

NewHeartlands

EFFICIENCY PLAN

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(1) Introduction

The invitation to submit a Scheme Update requires each Pathfinder to provide an efficiency plan, "detailing how additional savings will be made in each financial year and quantifying those savings".

The local authority partners within the Pathfinders are also required to deliver efficiency gains of 2.5% of their 2004/05 baseline expenditure, year on year as described in the Gershon review.

Although no set savings targets have as yet been given to Pathfinders, it would be expected that a large allocation of public finance such as Housing Market Renewal would be able to demonstrate efficiency gains wherever possible.

In addition Pathfinders will be subject to independent assessment by the Audit Commission as part of the ongoing scrutiny process. One of the six key areas where this will be focused is Value for Money, namely "the Pathfinder's ability to assess, deliver and demonstrate value for money at the strategic level and within projects, including its record on attracting private investment and stretching public resources and achieving efficiency gains".

A section upon Value for Money is included later in this Plan.

Efficiency planning is not the only tool in achieving Value for Money, but it can demonstrate how it is being achieved, for example:

- reducing inputs for the same outputs
- reducing prices for the same outputs
- attaining more outputs or improved quality for the same inputs
- attaining proportionally more outputs or improved quality in return for an increase in resources.

The Efficiency Plan needs to be considered in conjunction with other strategies and guidance already in place or being developed by NewHeartlands and within the local authorities including the Risk Assessment Framework; Asset Management Plans; the Procedures Manual; the Performance Management Framework, incorporating local

outputs and outcomes; and, the Options Appraisal Framework.

When fully implemented the active adoption of these systems will help to achieve a range of efficiency gains and improved value for money in addition to those already attained.

All the Pathfinders, via the National Pathfinder Finance Forum, have adopted a common basic layout for their Efficiency Plans and will be moving forward together in their future development. This is an excellent example of joint working for the benefit of Housing Market Renewal as a whole.

(2) Baselining

All Pathfinders, apart from Gateway Hull/Eastriding whose programme is a year behind the others, have agreed to use 2004/05 as the baseline year. This is because it is the first year of major pathfinder resource allocation, and actual, rather than projected, information will now become available.

(3) Issues

This efficiency plan is the first to be produced by the Pathfinders. It sets the scene on where we are now, establishes a framework and identifies the key areas to be examined. However, at this point, it is not practical to quantify savings.

The savings targets for the local authorities are based upon revenue expenditure but HMR is fundamentally a capital programme. The Local Government Measurement Task Force has been asked to produce a mechanism for reviewing efficiency gains within capital projects but is yet to report. This lack of guidance combined with the growth of Pathfinder activities, and costs, means that at this time efficiency gains cannot be enumerated. However, the Efficiency Plan describes the approach and outlines the information that will be provided in future.

Each of the Pathfinders has adopted this same methodology and this has been shared with the ODPM and the Audit Commission.

(4) Efficiency Targets

NewHeartlands has identified 5 key areas where initially efficiency gains could be made;

- a) Corporate Costs
- b) Revenue Expenditure
- c) Productive Time
- d) Procurement
- e) Capital Receipts and Asset Management.

The first four of these are 'workstreams' that have been agreed by the Pathfinders, the ODPM and the Audit Commission - and of these procurement is the main target for Pathfinders. The generation and use of capital receipts is also seen as an important value for money issue by NewHeartlands and has therefore been added to the list.

(a) Corporate Costs

These will be reviewed in line with governance arrangements to ensure best value principles apply and that current relationships and procedures are still appropriate. Being an overhead, it reduces the amount of grant available for project delivery. Costs of consultants will also be included within this category. The local authorities already have efficiency plans and will be making savings in this, and other areas. It will therefore have to be made clear from where savings have originated in order to avoid double counting.

Reference: Procedures Manual; Memorandum of Agreement between the 3 local authorities.

(b) Revenue Expenditure

Housing Market Renewal funding is essentially a capital grant and therefore revenue costs should be kept to a minimum. The invitation for the Scheme Update states that "proposals for the continuation of existing or the introduction of new interventions that are or would be classified as revenue expenditure must be justified". All revenue schemes

will be reviewed to ensure that they are essential; that they still meet HMR requirements; and, that there are no alternative sources of funding.

Reference: Options Appraisal Framework; Funding Agreement; Invitation to Submit a Scheme Update

(c) Productive Time

By streamlining systems and bureaucratic processes through improved performance management and monitoring, increased efficiency is possible. The aim of this efficiency is to increase the proportion of time that front line staff and professional staff spend on their core activities. It is a difficult concept to usefully measure in the context of HMR and further work is needed for this workstream.

Reference: Procedures Manual; Asset Management Plans; Performance Management Framework; Memorandum of Agreement between the 3 local authorities.

(d) Procurement

Because of the nature of HMR activities this area is likely to be the one where the greatest efficiency gains and improvements in value for money may be made. Major rewards can materialise here through effective commissioning, joint procurements, partnering arrangements, supply chain management and the development of unit costing. Benchmarking is an effective tool to help evaluate where savings can best be made and where effort should be targeted. Indeed the Audit Commission has recommended that within NewHeartlands "there needs to be more cross-local authority working on benchmarking, unit costs and joint procurement".

Reference: ODPM indicators; Benchmarking Club proposals; OGC Guidance

(e) Capital Receipts and Asset Management

Developing new and better ways of managing assets is crucial in delivering the programme and making the most cost effective use of HMR resources. Consequently a major priority for NewHeartlands is the development of a strategy

for recycling of capital receipts and for ensuring that they are deployed in the most effective way to meet the Pathfinder's strategic objectives. This will mean ensuring that financial resources devoted to property assets are delivering best value and capital receipts are reinvested to enhance and improve programme efficiency. These are tested as part of the Option Appraisal process that has been undertaken before any investment utilising HMR resources takes place.

Reference: Asset Management Plan

(5) Benchmarking

NewHeartlands together with all the other Pathfinders are members of the Benchmarking Club that is facilitated on our behalf by the Audit Commission. A schedule of useful, defined items to measure has been agreed and when populated will provide an invaluable tool for value for money judgements. This will not only be a means of comparison between Pathfinders, and internally between the local authorities, but will also be a mechanism for tracking changes over time.

Benchmarking is not foolproof because it is always difficult to exactly compare like with like. However, processes such as traffic lighting can draw attention to particular areas that would warrant further investigations.

NewHeartlands will bring the benefits of the Benchmarking Club to the local authority partners.

Reference: ODPM indicators, Benchmarking Club proposals

(6) Value for Money

Closely allied to all the efficiency and benchmarking proposals is Value for Money. This is particularly emphasised and specifically referred to in the Options Appraisal process. As well as all the aspects that are usually associated with value for money, eg unit costs, of especial importance for NewHeartlands are the initiation of private sector investment and the generation of capital receipts to be

reinvested for HMR purposes. We also look closely at outcomes as well as outputs.

In association with the other Pathfinders, a Value for Money "toolkit" is being developed. The Office of Government Commerce (OGC) provides very useful guidance in this regard and this is a prime source of material. While the "toolkit" does not give all the answers it demonstrates the processes that should be followed in the pursuit of Value for Money.

A separate note is attached describing some of the methods by which Value for Money is being achieved in NewHeartlands to date.

Reference: OGC Guidance; Options Appraisal Framework

(7) Potential Gains

As highlighted earlier it is not yet practicable to quantify efficiency gains. By the time of the next Scheme Update a full set of relevant figures will be available against which to make measurements and comparisons. A complete and fully costed Efficiency Statement will therefore be produced for then. Interim statements will be produced prior to that time for internal usage and to be able to demonstrate ongoing improvements. A timetable showing the stages in the process is included later in this Plan.

(8) Forward Planning

An important factor of the Efficiency Plans will be development of targets for the future. As explained, we are not yet at the stage where we can do this but as the Plans start to emerge within the next year then short term, medium term and long term aims for efficiency and value for money will be produced. It would be hoped that guidance upon demonstrating efficiency for capital programmes will by then have been issued but even if this is not forthcoming then we can still make significant progress. The Pathfinders have made major advancements during the last year in this whole area and will continue to do so.



APPENDIX A – Efficiency Statement

Pathfinder Name: NewHeartlands.....
Date Completed :
Contact Name:
Job Title :
Contact details (telephone and e-mail):
.....

Implementation Strategy & Actions to be Considered for Key Areas

a Corporate Costs

Review the use of consultants
Review Governance procedures
Review Core Team and other costs
Develop Service Level Agreements with partners
Examine strengthening the Core Team to reduce reliance on consultants

b Revenue Expenditure

Review all revenue schemes
Utilise the Options Appraisal framework

c Productive Time

Use the Performance Management Framework
Review the Procedures Manual to streamline procedures

d Procurement

Further develop Procurement Strategy
Adopt benchmarking internally and externally
Implement Pathfinder Strategic Commissioning to deliver interventions
Examine the possibility of implementing Procurement Performance Indicators
Look at joint procurement and cross-local authority working

e Capital Receipt and Asset Management

Develop and use the Asset Management Plan
Ensure leverage is maximised
Complete the Financial Model

General Efficiency Measures

Determine 'baseline' for benchmarking and produce necessary data
Produce guidance on vfm, whole life costing, etc.
Work with Audit Commission to develop vfm 'toolkit'
Share best practice with other Pathfinders
Rigorous use of Options and Project Appraisal
Ensure all interventions make an impact on core and local outcomes
Ensure all interventions are of strategic fit
Improve Risk Management procedures

APPENDIX B

Development Timetable

Task	Key date due	Date achieved	Responsible Group / Person
Addition of Local Targets	June – Sept 2005	July 2005	NewHeartlands core team
Consultation with major stakeholders	June – Sept 2005		NewHeartlands core team
Final agreed efficiency plan produced	July 2005		National Finance sub-group, Alison Chambers TSY, Ian Mackintosh BNG
NewHeartlands efficiency plan for Scheme Update	August 2005	August 2005	NewHeartlands Core Team
2004/05 baseline data populated	August/Sept 2005		NewHeartlands Core Team and Delivery Teams
Benchmarking of Data	August/Oct 2005		Benchmarking Club, Audit Commission
2005/06 data populated	15/07/06 (for annual report)		NewHeartlands Core Team and Delivery Teams
Develop Targets	Sept 2006		NewHeartlands Core Team and Delivery Teams
National model for Efficiency Plan reviewed and revised	Spring 2007		National Finance Meeting / Sub-group
Fully Operational NewHeartlands Efficiency Plan	Summer 2007		NewHeartlands Core Team and Delivery Teams

APPENDIX C

Guidance Notes on the Production of Efficiency Statements

Strategy for Achieving Efficiency Gains:

This section shows the information that will be collected and used for the Efficiency Plan.

Key Actions:

The key actions are shown in Appendix A. Their achievement will be itemised here.

a Corporate Costs

	04/05	FTE	05/06	FTE	06/07	FTE	07/08	FTE
Sub-sections								
(a) Core Team								
(b) Liverpool								
(c) Sefton								
(d) Wirral								
(e) Consultancy Costs								
TOTAL								

Sub-sections a, b, c and d -

Include -direct and indirect staff costs, team running costs and overheads. Separate out temp agency staff costs, but include the figures.

Exclude - consultancy costs, staff costs directly included in delivery.

Sub-section d -

Include - all expenditure paid to Consultants for the commissioning of work eg. market intelligence, research studies.

See note about ODPM indicators under Revenue Expenditure.

b Revenue Expenditure

	04/05	05/06	06/07	07/08
(a) Staffing costs within projects				
(b) Revenue Scheme 1				
Revenue Scheme 2				
Revenue Scheme 3				
Revenue Scheme 4				
Revenue Scheme 5				
Revenue Scheme 6				
Revenue Scheme 7				
Revenue Scheme 8				
Revenue Scheme 9				
Revenue Scheme 10				
etc				
TOTAL Revenue expenditure				

Sub-section a

Include - direct and indirect staff costs, running costs and overheads within HMRF funded projects.

Exclude - staffing costs for central teams as these are included in Corporate Costs. Staffing teams and costs classified as a revenue scheme. These should be shown under section (b) (eg Neighbourhood Wardens)

Section b

Include - all schemes classified under Local Authority accounting practices as revenue

Note - The ODPM indicators A20 and A30 capture much of the information in both this and the Corporate Cost areas. Although this layout has been agreed by the Pathfinders it could be usefully reviewed to ensure alignment with these indicators for purposes of consistency and to avoid duplications.

c Productive Time

	04/05	05/06	06/07	07/08
(a)				
(b)				
(c)				
(d)				
TOTAL				

As previously mentioned this is a difficult area to adequately measure in order to achieve and demonstrate savings for a programme such as HMR. A Cabinet Office consultation document in October 2003 referred to productive time being reduced if too much time is spent serving the organisation rather than the customers, if support functions are inefficient or if too much time is spent customising straightforward tasks. High levels of turnover are also mentioned. It suggests looking at new ways of sharing services rather than being entirely self-sufficient for back office functions.

The IDeA discusses increasing mobile working and also reducing sickness absence.

The OGC defines productive time as “time spent by public service professionals on core activities”. It also describes in its measurement guidance that ways of recording productive time could be by activity (task, role or service delivery) or by quality.

The draft Efficiency Plan agreed by the Pathfinders uses project appraisal and tendering processes as examples of non-core activity to be reduced but these do not necessarily seem to fit the bill, for example the draft acknowledges that reducing time spent on appraisal may not in fact be a good thing.

This Key Area needs further discussion before suitable measures can be determined.

d Procurement

	2004/05			2005/06			2006/07			2007/08		
	Qty	Total cost	Unit Cost	Qty	Total cost	Unit Cost	Qty	Total cost	Unit Cost	Qty	Total cost	Unit Cost
Unit Costings -												
demolitions												
decent homes												
other												
refurbishment												
new build												
acquisitions												
etc												

There are some unit costs already collected within the ODPM indicators. In addition the Benchmarking Club has agreed certain items that could be usefully used for unit cost purposes. These items should form the basis for this Key Area but there may also be local activities that would be relevant to measure. Information should be collected per local authority as well as Pathfinder wide for comparison purposes. Sub division by tenure should also be used where relevant.

e Capital Receipts and Asset Management

	04/05	05/06	06/07	07/08
Value of assets carried forward from previous year				
Value of assets acquired during the year				
Value of assets disposed of during the year				
Total value of assets held at end of year				
Capital receipts carried forward from previous year				
Capital receipts generated during the year from asset disposal and elsewhere				
Capital receipts recycled during the year				
Capital receipts held at the end of the year				
TOTAL				

This information can also be kept on a local authority basis although the recycling of the receipts is a matter for the Board to decide strategically.

The above information can be refined by sub dividing the capital receipts and the assets in a variety of categories depending upon their source and usage.

The asset register is currently held and maintained by the accountable body.

Appendix D

This is not part of the Efficiency Plan as such but illustrates the sort of measures that NewHeartlands has been adopting in order to achieve better value for money.

Providing Value for Money in NewHeartlands

NewHeartlands programme funding is secured from a wide range of public and private sector partners and complementary and private finance are maximised. NewHeartlands is committed to proactively working with the full range of existing and potential partners to achieve the maximum vfm. Accordingly, it works in partnership with all the Merseyside authorities and other partners, notably RSLs, to deliver housing market research and analysis. It takes also a leading role in working with other Pathfinders to develop common processes and products. NewHeartlands is committed to developing strategic commissioning on a pathfinder wide basis to procure vfm in services.

The arrangements in each partner local authority to work with a lead private developer and RSL in the major intervention areas facilitate joint commissioning, pooling of resources, economies of scale and the maximum input of complementary public and private finance. The key partnering arrangements with lead developers were arranged competitively through the OJEU procedure. Arrangements are in place so that overage from projects is reinvested in HMRI activity.

NewHeartlands has effective performance management arrangements with SMART targets which achieve the ODPM and local Pathfinder outputs and outcomes. It can demonstrate a well-managed programme, which is regularly reported to Board members, with all projects completed on time and within budget. Project risks are regularly assessed and a virements system is used when required.

The **options appraisal system** ensures that major interventions fit with NewHeartlands strategic goals and deliver its key outputs and outcomes. The options appraisal process considers specifically -

- value for money,
- additionality
- complementarity to other housing and regeneration programmes,
- complementary funding.

The options appraisal considers monetary costs and benefits, quantifiable and non-quantifiable benefits. It enables the choice of a more financially expensive option (e.g. clearance rather than refurbishment) to be demonstrated where appropriate if this is justified in terms of outcomes.

NewHeartlands principal partners (the three local authorities and major RSLs) have audited objective transparent procurement processes including joint procurement, partnership working and benchmarking of unit costs. Accordingly property and site acquisitions, demolition, site preparation and remediation contracts are competitively procured. Development briefs and design guidance are ensuring high standards and vfm in new build accommodation.

Some examples

- Acquisitions and demolitions on the basis of market valuations and competitive tenders in priority intervention areas e.g. Railway Road
- RSL funding into various Living through Change (LTC) projects
- LTC Void security programme has been competitively tendered
- For LTC projects where appropriate resources are pooled and projects commissioned strategically
- Wirral's established grants system means tests applicants and vets quotations
- Wirral Group Repair schemes promote energy efficiency provision where possible including solar water heating panels, solar security lighting and specialised roof insulation
- Picton new build schemes will give a 60 years minimum life compared to the up to 30 years life for refurbished homes, and Eco Homes standards and the Dent Homes Standard
- Partnering arrangements with lead developers
- Cross authority working such as the ABRA contract for home ownership products
- The NRA and Masterplanning processes used by the local authorities address financial evaluation of alternative courses of action.
- The joint commissioning of the Financial Model with two other Pathfinder.
- Sefton Strategic Site Assembly - overage is shared and reinvested in HMR
- Economies of scale for Group Repair schemes