



improving housing through partnership

Efficiency Strategy

2006 – 2010

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Foreword

Homes for Islington (HFI) is Britain's largest arms-length management organisation and began operating in April 2004. Owned by Islington Council, HFI is managed by a board of directors, made up of Islington tenants and leaseholders, council representatives and independent members. We manage approximately 37,000 council properties throughout the borough.

The government enabled local authorities to set up arms-length management organisations to manage their housing stock and provided an incentive by giving good "two star" ALMOs the capital funding needed meet their decent homes obligations. Homes for Islington was awarded 2 stars with excellent prospects for improvement in January 2005 by the Audit Commission.

In its first year HFI concentrated on establishing itself as an independent organisation and improving its services to residents. The 2 star and excellent prospects for improvement are proof that HFI succeeded in both areas. Over the next two years our target is to continue our improvement of services to residents and get 3 stars. Efficiency and value for money will be key to that three star assessment.

Improving efficiency will be a major benefit to our customers. It will mean better services, focused on what our customers need and it will reduce waste. The government has stated that authorities can retain and reinvest the efficiency gains they make and for HFI customers that means we will be able to use the money we save on additional services for our customers.

Ann Lucas

Chair, Homes for Islington Board

1 Key Drivers

1.1 Best value

The demand for local authorities to improve services and value for money has been a long-standing goal of successive governments. Compulsory competitive tendering in the 1980's required local authorities to tender many services for the first time and many were outsourced to the private sector as a result, with varying success.

The Local Government Act 1999 introduced a new duty of Best Value that required local authorities to secure continuous improvement in their services. Authorities were expected to make their services economic, effective and efficient through a series of best value reviews covering all services over a five-year cycle. Competitive tendering was still seen as a key means to improve value for money but was no longer compulsory.

The housing service of the London Borough of Islington undertook a best value review of its housing management service in 2003, which led to a wide range of improvements across the service.

1.2 Gershon

The current efficiency-saving agenda is driven by HM Treasury, which commissioned Sir Peter Gershon to lead a public sector efficiency review, publishing its report in 2004. The efficiency review aimed at releasing resources into frontline services and cutting the bureaucracy faced by frontline professionals. Gershon identified local government as one of the areas with scope for efficiency savings. He saw that substantial savings could be made over time in several ways:

- Procurement of goods and services
- Procurement of construction and property services
- Back office costs
- Transactional services
- Productive Time

(Gershon Report, HM Treasury, 2004. Efficiency, Gershon and Procurement, Solace, 2004)

The government has adopted the recommendations of the Gershon review and these have been translated into a series of efficiency targets for national and local government, including ALMOs. Compliance with the targets will become prime measures of performance by the Audit Commission.

1.3 Government expectations of efficiency gains

The government expects the social housing sector to achieve efficiency gains worth £835 million a year by 2007-08. Efficiency gains are expected in:

- Procurement of new housing supply
- Procurement of housing capital works
- Delivery of housing management and maintenance services
- Procurement of commodity goods and services

The government has set sector-wide targets for each year 05/06 to 07/08 but has not set individual targets for authorities or social landlords. Each authority is expected to make efficiency gains of 2.5% each year.

(Efficiency Technical Note for Local Government, ODPM, 2005).

Efficiency gains of ALMOs are counted as part of their authority's gains and there is no government requirement for ALMOs individually to meet a target or make 2.5% efficiency gains, although there is a strong expectation that ALMOs will do so.

What is an efficiency gain?

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

(Social Housing Efficiency Technical Note, ODPM, 2005).

The Efficiency Technical Note sets out four ways in which efficiency gains can be measured:

- E1 Reducing inputs (money, people, assets) for the same outputs. An example would be streamlining the process for dealing with rent arrears, enabling a reduction in the number of staff as a result. This is called a "cashable" efficiency gain because there is a direct cash saving.
- E2 Reducing prices (procurement, labour costs) for the same outputs. This could be achieved by reducing the cost of mobile phones through procuring a new contract. This is also a "cashable" gain as money has been saved that could be spent on other things.
- E3 Getting greater outputs or improved quality (extra service, productivity) for the same inputs. For example, reducing the time taken to complete repairs without any increase in staff, equipment, etc. This is known as a "non-cashable" efficiency gain because no cash is released but efficiency has been improved.
- E4 Getting proportionately more outputs or improved quality in return for an increase in resources. An example would be investing in new equipment for caretakers to use that results in measurable improvements in cleanliness. This is also a "non-cashable" gain if it can be shown that the improvement is greater in monetary terms than the initial investment.

1.4 Reporting Efficiency Gains – the Annual Efficiency Statement

The primary means for local authorities to report their efficiency gains is the Annual Efficiency Statement. 2005/06 was the first year that AES's were required and the requirement was in two parts. A forward look statement in April 2005 looked at planned efficiency gains to be made during 2005/06 and a backward look statement in June 2005 reported gains made during 2004/05.

ALMOs are not required to produce their own separate AES as their efficiency gains should be included in their parent authority's AES. However the efficiency statement process enables HFI to present the outcomes of its efficiency work in a structured way that is useful to the council and allows benchmarking with other ALMOs. HFI will prepare its own annual efficiency statements in accordance with government requirements and submit them to the council for inclusion in the council's submission to government.

1.5 Audit Commission

The Audit Commission provides a robust and independent check on local authorities' performance to reinforce the best value regime. It set up an inspection service to evaluate best value reviews, test the quality of services and authorities' capacity to improve. Each inspection results in a comprehensive report and a score for the service on quality and likelihood to improve.

The prime focus of the Commission in its first five years of inspections has been on the quality of services and their improvement. Value for money considerations have been secondary especially where services have been poor. However the Audit Commission has made it clear that value for money is to be a prime consideration in the next years and they have reinforced that by issuing a value for money Key Line of Enquiry (KLOE) that sets out the standards they will be looking for in their inspections.

The Value for Money KLOE, No. 32, gives criteria for housing organisations to assess and improve their efficiency and is a key driver for this strategy. The action plan for this strategy (Appendix 1) is linked closely to the standards set out for an excellent three star organisation.

The Audit Commission's report (March 2005) of HFI's services considered that "VFM has been a secondary focus (for the organisation), the prime focus has been on improved service delivery".

1.6 Systems thinking

In September 2005 the Office of the Deputy Prime Minister published an evaluation of three pilot projects that used "systems thinking" to improve service delivery and efficiency in housing management and maintenance. The conclusion of the study was that systems thinking has the potential to deliver wholesale efficiencies in service delivery that yield significant service improvements and both cashable and non-cashable efficiency gains.

Systems thinking looks at whole systems rather than individual components, for example the whole responsive repair process from a tenant's request to completion of the repair taking into account the call centre operation, work allocation and quality control. It involves an analysis of how the current system works and why, an exploration of solutions to eliminate waste and implementation of solutions incrementally and by experiment.

Although systems thinking is not new it has not often been used in the service sector. This study demonstrates that it has potential within the housing service sector.

(A Systematic Approach to Service Improvement, Evaluating Systems Thinking in Housing, ODPM, 2005)

2 Efficiency and value for money at HFI

2.1 HFI's efficiency objectives

HFI's mission is "to continuously improve housing for local residents, through sound investment, the effective management of resources and the relevant involvement of staff, residents and community partners".

Value for money and efficiency have a significant role in HFI's mission. We are committed to providing value for money in everything we do and will ensure we have effective mechanisms in place to test value for money, improve efficiency and improve our service to customers.

2.2 Delivering value for money

This strategy describes how Homes for Islington intends to improve its efficiency, make sure all its activities are value for money and meet council and government objectives for efficiency gains. The main objectives for HFI are:

- To improve efficiency and effectiveness of our housing management services and internal support services. We will set up a programme of service reviews with an emphasis on improved efficiency and value for money.
- For construction and property services ensure that each procurement provides value for money through competitive tendering and make all contracts subject to periodic review to ensure value for money is maintained.
- For goods and services such as computer equipment and payroll we will benchmark costs, tender contracts and participate in joint procurement to make sure we get value for money.

Our efficiency action plan (Appendix 1) details the actions we will take to achieve our objectives. Each action has a lead officer and a target date for completion.

We will report the results of our efficiency work each year in the form of the annual efficiency statement required by government from local authorities and provide the statement to the council for inclusion in their submission to government.

2.3 Judging value for money

VFM is a comparative concept. No one can say that a product or service is value for money without comparing it with others in the market. By comparing one thing with other similar things it is possible to make a judgement about value for money. The criteria will depend on the item in question. Unless the products are identical the judgement cannot be made on price alone although that will often be the most important single factor. It will require a balancing of factors such as quality, durability, service and consistency together with price or cost.

For landlord services the main value for money criteria are generally considered to be:

- Service cost
- Unit cost
- Quality of service

- Quantitative measures using performance indicators
- Customer satisfaction

Comprehensive information on all these criteria are essential to any efficiency review and will be key factors in the service reviews conducted by HFI.

2.4 Reinvesting savings, surpluses and efficiency gains

The government has stated that each local authority can retain its efficiency gains and reinvest them in their services. Homes for Islington believes that this is a strong incentive to improve efficiency because residents will be able to see how efficiencies improve services. However HFI recognises that it needs a well-defined process to ensure that efficiency gains do convert directly into service improvements and not be used to finance inefficiencies or non-productive expenditure elsewhere.

We will consult with residents and agree with the council on how savings should be reinvested. We will report each year as part of the business planning and annual efficiency statement process how efficiency savings made in previous years have been translated into improvements.

3 How we will improve efficiency

3.1 A value for money culture

Homes for Islington has set up a high level group to direct this strategy and ensure that the value for money objectives are realised on target. The Efficiency and Procurement Working Group (EPWG) is chaired by the chief executive and includes all management team directors and board directors. The terms of reference are at appendix 2.

Achieving efficiency gains and improving services require detailed consultation, analysis and planning in a process that is closely tied in with HFI's business planning process. HFI is a large and complex organisation and the annual budget and business planning process is designed to ensure that objectives are prioritised and resources are available to achieve them. Efficiency proposals, including the outcomes of service reviews, will be included in business planning to make sure we can achieve them and the associated efficiency gains on target. Business planning includes consultation with customers and other stakeholders including the council. The business plan is approved by HFI's board and by the council's executive annually.

3.2 Information on service and unit costs

Information on service and unit costs is a central requirement to the process of testing value for money and improving efficiency. We need to know how much each element of our service costs and we need to be able to compare our costs with others to see where improvements could be made.

HFI completed its first analysis of housing management costs using the Housemark methodology in 2005 and will continue to benchmark its costs regularly. This analysis enables immediate comparison of costs with other similar social housing landlords and ALMOs. The comparison enables HFI to focus in on the areas that have the potential to improve efficiency and value for money.

HFI has also developed a methodology for the consistent and accurate calculation of unit costs and is employing this methodology in service efficiency reviews. We are liaising with HouseMark to see if this calculation methodology is suitable to be deployed nationally, which will enhance HFI's benchmarking capability.

3.3 Performance measures

Performance and quality of service are key elements of any value for money test. For many services we already have performance indicators that we use to manage performance and improve services and these are reported in several ways:

- A quarterly strategic performance report for HFI Board that reports performance of a suite of key indicators and comments and risk assessment by directors on those indicators below target.
- A comprehensive monthly report for senior management team
- A performance report for HFI sub-boards every two months
- A local performance report for each consultative panel

We will continue to develop our suite of performance indicators to cover all our services and devise measures that encourage the right kind of service improvement.

3.4 Benchmarking

Benchmarking is the process of comparing services using both quantitative and qualitative means. Typically benchmarking covers quantitative areas such as costs, performance, satisfaction, and qualitative areas like policies and procedures. HFI is a member of Housemark, the industry-wide organisation run by the Chartered Institute of Housing to promote benchmarking.

Housemark provides benchmarking on a suite of performance indicators that enable quarterly comparison of key housing services. This suite is being enhanced with further indicators to enable comparison of areas that are key to efficiency improvement. HFI will play an active part in developing Housemark's performance indicators and will contribute its data regularly. We will make use of the comparative information to inform us where we need to improve and in conjunction with cost and customer feedback data to determine where efficiency gains can be made.

Housemark also maintains an extensive best practice library that assists benchmarking of policies and processes. Looking at how other organisations do the same tasks can give pointers to how HFI could improve its own processes.

3.5 Service reviews

The services we provide are subject to continuous change as we strive to make them more effective and meet changing customer demand. But development in that kind of incremental way can lead to unintentional inefficiencies and may not be done with a comprehensive overview of the service. Without a periodic comprehensive review it is difficult to ensure that services remain efficient and value for money.

HFI will embark on a programme of service reviews that over a five-year period will cover all its activities; both services provided to customers and internal support services. We will

prioritise the review programme so that we review those services that appear to be the least efficient or effective using the following criteria:

- Current ability to provide the service
- Performance compared with other landlords
- Customer satisfaction
- Cost of the service
- Existence of an external market
- Performance of external providers
- Cost of external providers
- Procurement opportunities
- Opportunities to improve efficiency

A matrix demonstrating how these criteria could be used to score HFI's services is in appendix 3

The service review methodology will encompass many of the features of best value reviews but in a streamlined structure to avoid the time-consuming and bureaucratic format that often results from the best value review process. The methodology will cover the 4 C's of best value:

- Competition
- Consultation
- Comparison
- Challenge

Each review will be conducted by a small team with external challenge provided by HFI's Service Review Panel. This is chaired by the Chief Executive and includes the Director of Resources and the Head of Performance & Service Development as well as Board Directors. Reviews will look at performance and costs using benchmarking information available to us and additional benchmarking where necessary. Each review will look at the scope for competitive tendering and whether there is potential for more creative procurement such as joint procurement with other housing providers. Consultation with customers and other stakeholders are essential elements of the review and we will make extensive use of our existing consultation systems as well as commissioning consultation specific to each review if we do not already have up-to-date information.

The reviews being undertaken in 2006-07 are:

- Customer Access
- Payment Processes
- Antisocial Behaviour
- M&E Planned Maintenance and Capital Works
- Facilities Management

The remaining programme is subject to realignment in light of the 2006 HouseMark benchmarking report.

3.6 Business planning, targets and reporting

Homes for Islington has an annual business planning cycle that co-ordinates with the council's business planning and budget setting cycle. Each year HFI and the council agree the services that HFI will provide and the appropriate management fee to be paid by the council. With the introduction of the efficiency programme we will integrate our business planning with our efficiency planning so that each business plan incorporates the forward-look elements of the annual efficiency statement, the savings in the backward-look and the plans to reinvest those savings.

The government has set a 2.5% annual efficiency target for local authorities. It is for each authority to decide how the target is achieved and how it is spread between its different services. HFI will work to achieve an annual 2.5% efficiency gain unless otherwise agreed with the council.

HFI's board of directors regularly monitors performance at a strategic level. For example it receives a strategic performance report quarterly and a progress monitoring report on its business plan three times a year.

Homes for Islington's board will receive an annual efficiency report from 2006 reporting on the forward and backward look annual efficiency statements, evaluating our performance in achieving efficiency savings in the previous year and reporting how efficiency savings are being reinvested.

3.7 Consultation

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

Homes for Islington has several well-established forms of consultation that we will use and we will use additional consultation methods whenever we need more information.

Consultative panels

Nine consultative panels covering seven housing areas, leaseholders and tenant management organisations. The area panels include representatives of tenant and resident associations and elected representatives. All panels meet every two months and are chaired by a panel member.

Business plan challenge day

The challenge day is an annual event for tenants, leaseholders and all stakeholders to discuss and give their views on HFI priorities for the coming year. In 2006 HFI used an interactive, real-time electronic voting system that proved very popular with participants and gave an equal voice to all attendees.

Residents newsletter

HFI publishes a quarterly newsletter that goes to all residents.

Staff newsletter

HFI publishes a quarterly newsletter that goes to all members of staff.

Board and sub-board reports

All board and sub-board reports other than those that are confidential are published on HFI's website before each meeting and are available for scrutiny.

Liaison with trade unions

The chief executive of HFI has regular liaison meetings with trade union representatives.

Residents satisfaction survey

HFI conducts regular satisfaction surveys in accordance with the STATUS methodology. This ensures that the results can be benchmarked with other organisations.

Leaseholder satisfaction survey

HFI also conducts a regular satisfaction survey of its leaseholders.

Customer feedback initiatives

HFI uses customer feedback methods such as focus groups, mystery shopping and exit surveys to get specific feedback from customers. Focus groups are commissioned as one-off exercises. We conduct regular call-backs to measure satisfaction of tenants after a repair has been completed. HFI has also commissioned ORC International to conduct a series of mystery shopping exercises.

4 Procurement

4.1 Procurement strategy

Homes for Islington has its own procurement strategy that was agreed by its Board in November 2005. The strategy with its accompanying procurement code defines how HFI will use procurement to improve the efficiency and effectiveness of its services. Procurement is one of the most important tools in improving efficiency and is one of the main considerations in service reviews.

The procurement strategy explains how procurement decisions will be made using option appraisals and how HFI will seek to use the full range of procurement methods available including joint procurement, consortia, effective contract packaging, service level agreements, private finance initiative and e-procurement.

4.2 Major works projects

The largest area of procurement for HFI is for works to achieve the decent homes standard by 2010. HFI tendered for and set up a number of framework contracts with approved suppliers covering:

- Constructors
- Consultants
- Mechanical and electrical specialist suppliers

The framework arrangements rank suppliers by price and quality and the rankings will be reviewed annually and adjusted according to actual performance evaluated against key performance indicators, performance and final project costs compared with tendered costs. Work will be allocated annually and the mechanism is intended to incentivise suppliers to perform and keep costs within the agreed price. Suppliers who fail will be moved lower in the rankings with less chance of receiving work or be removed altogether.

4.3 Commodity goods and services

Commodity goods and services covers items such as stationary, mobile phones, computers, vehicles and banking. Homes for Islington will review its contracts and supply agreements for all goods and services and will procure them through alternative arrangements where better value for money can be obtained. HFI began to review existing arrangements for the supply of services through the council in 2004. The evaluations have shown the route does provide

value for money in some areas, for example the supply of gas and electricity, HR and payroll systems and stationary.

HFI is a member of HouseMark and therefore is an automatic member of the Procurement for Housing Group that aims to achieve savings through large-scale procurement agreements. HFI will participate in this and similar consortia arrangements where they demonstrate value for money.

5 Value for money in existing contracts

5.1 Responsive repairs

Kier Islington carries out responsive repairs (day-to-day repairs done at the request of a tenant and not planned in advance) under a 10-year partnership contract set up by Islington Housing Services in 2000. The clienting of the contract is now done jointly by HFI and the council. A contractual requirement is for reviews after four and seven years after the contract start.

The first review was carried out in 2005 to avoid capacity problems during 2004 (when HFI became an ALMO and was subject to Audit Commission inspections). The review looked at whether the repair services were being performed to acceptable standards and prices and what adjustments could be made to secure service improvement and ensure continuing best value and value for money. The findings of the review were:

- The price of work is mid-range for London
- Performance is high
- The average spend on day-to-day maintenance is consistent with that spent before the contract started.
- The contract appears to be reasonable value for money.

The area found to represent the biggest opportunity for improving efficiency was the cumbersome systems for ordering and approving jobs and variations, and reconciliation of orders. Recommendations from the review have been agreed by all parties and are to be implemented in 2006. The chief changes are:

- A pain-share/gain-share system which shares the results of efficiency gains and incentivises the contractor to complete in one visit and stay within budget;
- Co-location of some areas of client work within Kier's organisation and some areas of Kier's work within HFI to reduce duplication.

These changes will bring considerable efficiency gains, improve working relationships and provide simpler working processes.

5.2 Islington PFI for street properties

Islington's PFI scheme for the refurbishment and management over 30 years of 2300 homes in pre-1919 street properties started in May 2003 and was the first housing PFI scheme in the country. As with all PFI schemes it was designed to transfer risks to the contractor based on a fixed price and agreed financial rates of return. The contract requires the contractor to secure continuous improvement in the way services are provided "having regard to a combination of economy, efficiency and effectiveness".

The contract enables the council to instigate a best value review of the service at least every five years and for recommendations of a best value review to be implemented by the contractor. Efficiency gains resulting from the recommendations could result in a reduction in the fee paid by the council to the contractor.

5.3 Service level agreements with the council

In its first year of operation as an ALMO, Homes for Islington carried out a review of all the services provided to it by the council. This has led in a number of cases to a reduction in the price, a transfer of work or the cessation of the work. The results of the review include:

- Insurance claim handling taken over by HFI from the council
- The council continuing to provide an emergency repair telephone service after soft market testing showed it appears to be value for money;
- Continue to use the council's IT and support systems and market test at a later date;
- More fire safety checks for the same budget
- Facilities management of HFI premises taken over by HFI;
- Occupational health service provided through the council is good value for money;
- Large reductions in the costs of the Council's legal services through a series of mechanisms, including in-house provision of some functions.
- Substantially reduced price for cleansing of paladin bins saving over £50,000;
- Continue to use the council's pest control service as it is reliable, efficient and popular with residents.
- Termination of the Council's planned drainage service which will be replaced through competitive tender.

6 Equality and sustainability considerations

Homes for Islington is committed to providing high quality services that meet the needs of all our diverse community. Improvements in our ability to provide services must include making services more accessible and appropriate to all our customers. We will make sure that our drive to improve efficiency promotes equality and diversity and is never at their expense.

Our equality and diversity strategy details the way in which we intend to promote equality and diversity both in service provision and in employment. Some of the objectives for that strategy tie in closely with this strategy:

- Remove any barriers preventing our customers from accessing our services or participating in our decision-making structures.
- Consult and involve all our customers in our work to promote equality and diversity.

Work with our contractors and partners and those we buy services from to ensure they do not operate discriminatory practices in employment or service delivery and that they adhere to good equalities practice in the employment of their staff and in the delivery of their services, in respect to colour, race, nationality, cultural or ethnic origin, marital status, gender, religion, gender reassignment or sexual orientation.

- Promote a community in which all our residents can live freely of prejudice and discrimination and in harmony with each other.

**Appendix 1
Homes for Islington Efficiency Action Plan**

The objectives are derived from the Audit Commission's judgement of what would constitute an excellent, three star, service in its Value for Money Key Line of Enquiry (KLOE).

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|--|---|--|---|--------------|--|
| 1a Acquire a wide range of clear and accurate information on overall service cost | Maintain membership of Housemark and participate fully in its national ALMO and London boroughs benchmarking clubs | Attendance at meetings and minutes of meetings | Member since November 2004. Ongoing | Simon Kwong | We are currently satisfying this requirement through benchmarking overall service costs via HouseMark |
| 1b Acquire a wide range of clear and accurate information on unit costs | Complete cost benchmarking of housing management using the Housemark methodology for each year 2003 to 2006 and annually thereafter. | | 31/03/06 and then by 31/07 each subsequent year | Simon Kwong | HFI compiling key service unit costs information including high profile and expensive functions. |
| | Provide full range of data to the Housemark quarterly PI tracking website. | Data entered for every quarter for all possible PIs. | Data provided within 6 weeks of the end of each quarter | Simon Kwong | 1st and 2nd quarter 05/06 data entered on website. 3 rd quarter to be entered during February |
| 2a. Compare service and unit costs with others. Systematically use information to review cost effectiveness | Participate in cost and PI benchmarking; participate in Housemark benchmarking clubs. | Benchmarking reports. | Ongoing from September 2005. | Simon Kwong | HFI comparing service costs through HouseMark. Compiling unit costs data and will seek to form own benchmarking club. |
| | Establish and/or participate in benchmarking of other activities that are not part of the Housemark service as part of service review programme | Benchmarking reports. | Ongoing from April 2006. | Simon Kwong | Awaiting start of service review programme due to start April 2006 |

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|--|--|--|--|--------------|---|
| 2b. Identify and tackle high spending early. | Use the results of benchmarking to inform decisions on scope for future efficiency improvements and the service review process. | Reports and minutes of EPRG, Management Team and Board. Data included in service reviews. | Ongoing from April 2006. | Simon Kwong | Service review programme 2006-11 agreed by Efficiency and Procurement Working Group 10/01/06. Programme to start April 2006 Service directors to include their high spending functions in the list of key service unit costs |
| 3. Ensure resources follow policy decisions and national and organisational priorities. | Resource allocation included in business planning and used to determine local budgets. Annual business planning process will include an assessment of HFI's strategic aims and policies and national and council priorities. | Reports to Board on business plan and finances. Annual business plan to identify resources. | September to January annually for the following financial year | Simon Kwong | HFI Business Plan 2006/07 approved by Board 06/02/06. Budgets to be checked against national and organisational priorities in chart form. |
| 4a. Ensure areas of higher spending are in line with service priorities. | Spending opportunities to be decided in business planning process with cost implications contained in report to Board when deciding the annual business plan. | Reports to Board. | September to January annually for the following financial year | Simon Kwong | HFI Business Plan 2006/07 approved by Board 06/02/06 BP objectives to be checked against budgets. |

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|--|--|------------------------------------|-------------------------|--------------|---|
| 4b. Ensure full cost implications are assessed in spend decision-making | Full information on revenue implications and financial forecasts are included in reports with spend implications. | Reports to Board. Reports to MT | Ongoing | Simon Kwong | Agreed that reports to Board, Sub-boards, committees and management team should have the following sub-heads under Financial Implications <ul style="list-style-type: none"> • Capital implications • Revenue implications • Efficiency implications • Risk |
| 4c. Ensure spend decision-making process fully incorporates customer and stakeholder involvement. | Resident's conference on BP proposals. Stakeholders' Challenge Event on BP proposals Customer participation in service reviews | BP process timetable | January 2007 Ongoing | Simon Kwong | Consultative panels incorporated into spend decisions at high and local levels. Key spend decisions in BP to be mapped and consulted on. |

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|---|---|---|-------------|---|--|
| 5. Service users and stakeholders are proactively involved at all stages of efficiency and procurement. | <p>A full range of consultation measures to inform and involve residents in efficiency and procurement decisions including:</p> <ul style="list-style-type: none"> o Annual business plan stakeholders seminar o Reports to consultative panels requesting feedback o Involvement in service reviews o Quarterly residents newsletters o Articles in quarterly staff newsletter o Liaison with trade unions o Customer feedback initiatives o Customer satisfaction surveys | Consultation reports. | Ongoing | Simon Kwong, John Phillips, David Selo, Doug Goldring | <p>We are currently satisfying this requirement</p> <p>Business plan stakeholder seminar held September 2006</p> <p>Report to September 05 consultative panels on 06/07 business plan requesting feedback on growth & efficiencies</p> <p>Service review methodology agreed at 10/1/06 EPWG – to include customer representative on service review panel</p> |
| 6. Capital spending decisions taken with full information on revenue implications and financial forecast of their longer-term impact. | Full information on revenue implications and financial forecasts are included in reports to Investment and Delivery Committee. | Reports to Investment and Delivery Committee | Monthly | John Phillips | EPWG require an annual report to IDC on spend and any revenue implications on that years upcoming programme |
| 7. Capital programme completed on time and within budget | Capital programme spend monitored regularly by HFI Board and Investment & Delivery Committee. | Reports to Board and Investment and Delivery Committee showing progress | Monthly | John Phillips | We are currently satisfying this requirement |

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|---|--|--|---------------|---|---|
| 8. Board and managers use information on costs and service quality to compare with others. This includes information on equity across the community. | Spending opportunities to be decided in business planning process. Full cost implications including areas of high spending contained in report to Board when deciding the annual business plan. | Reports to Board and Investment and Delivery Committee showing progress | Ongoing | Simon Kwong | HFI Business Plan 2006/07 approved by Board 06/02/06 See also 2 and 3 |
| 9a. Procurement decisions are taken on an objective basis using a transparent procurement framework | Develop and implement HFI procurement strategy and procedures. | HFI Procurement strategy produced. | November 2005 | Simon Kwong | We are currently satisfying this requirement Procurement Strategy approved by Board November 2005. |
| 9b. Procurement decisions explore partnering and procurement framework opportunities. | All procurements to follow HFI's procurement strategy and procedures and explore the full range of procurement opportunities available. Procurements to be documented to show options appraisals and a full audit trail. | Procurement records for each procurement. Reports and minutes of meetings. | Ongoing | Simon Kwong, John Phillips, David Selo, Doug Goldring | We are currently satisfying this requirement All construction and repairs contracts, when renewed, become partnering contracts, eg <ul style="list-style-type: none"> • Framework • M&E partners • Lifts (South) • Communal heating • Gas (N&S) Partnering contracts account for 95% of spend |

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|---|---|--|--|--------------|---|
| 10. Innovative contract packaging arrangements and robust exploration of what the market can deliver. | Prepare a programme to review the supply of all commodity goods and services over a five-year period from 2005. | Review programme and audit trail of reviews and procurements | Five year review programme beginning 2005/06 | David Selo | We are currently satisfying this requirement Examples are: <ul style="list-style-type: none"> • Mailing contract • Gas (South) • MFD suppliers |
| 11. VFM and procurement principles are fully embedded within core service aims. | Develop and implement HFI Efficiency strategy | Efficiency strategy adopted by Board | November 2005 | Simon Kwong | We are currently satisfying this requirement Efficiency strategy approved by Board Nov 2006 |
| | Efficiency implications required in all management and board reports for decision. | Reports to board and management team | From November | Simon Kwong | Financial implications included in all decision reports - efficiency implications included in these where appropriate |
| | Efficiency targets set into annual business planning process. | Business plan | Annually in December. | Simon Kwong | HFI Business Plan 2006/07 contains efficiency implications |
| | Procurement strategies developed and implemented | Strategy document | November 2005 | Simon Kwong | Procurement Strategy approved by Board November 2005 |
| 12. Staff, board, customers, other stakeholders share and are aware of the commitment to achieve value for money (VFM) | Training for Board members | Training notes of Board Away Weekend | 14/10/05 | Simon Kwong | We are currently satisfying this requirement Training session held at away weekend 14/10/05 |
| | Briefing for staff | Briefing notes | November 2005 | Simon Kwong | Briefing for staff held at managers' conference 18/10/05 |
| | Efficiency strategy on website and intranet | Intranet | November 2005 | Simon Kwong | Efficiency strategy and related documents on intranet 08/12/05. On website Jan 2006 |

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|---|--|---|---------------|--------------|---|
| | Suggestions scheme for staff | Responses from staff | April 2006 | Simon Kwong | |
| 13a. There are clear policies and effective processes for improving VFM. | Develop and implement efficiency strategy and action plan. | Efficiency strategy agreed by Board. | November 2005 | Simon Kwong | We are currently satisfying this requirement |
| 13b. The scope for improving cost-effectiveness is kept under review. | Develop a five-year service review programme covering all service areas. Service Reviews prioritised by scope for efficiency and service improvement | Completed service review templates | 31/01/06 | Simon Kwong | Efficiency strategy approved by Board Nov 2006 We are currently satisfying this requirement |
| | Complete at least one review using the "systems thinking" methodology | Report of review using systems thinking | 31/03/07 | Simon Kwong | Service review programme 2006-11 agreed by Efficiency and Procurement Working Group 10/01/06 |
| 14. Ambitious targets set to improve VFM | Exceed government and council targets each year for efficiency gains. | Targets consistently met or exceeded. | Annually | Simon Kwong | We are currently satisfying this requirement 6 month review of 06/07 AES forward look concluded HFI on target to meet/exceed all efficiency targets |
| 15. Consistently generate surpluses through improving VFM and reinvest these | As part of annual business plan process, develop and agree with the council plans to reinvest cashable efficiency gains for service improvement. | Business plan | Annually | Simon Kwong | We are currently satisfying this requirement HFI Business Plan 2006/07 approved by Board 06/02/06. Ongoing dialogue with LBI on target areas for investment of savings/additional funds |

| Objective | Activity | Evidence | Target Date | Lead Officer | Comment |
|---|--|--|--|---|---|
| 16. Work with existing and potential partners and providers to compare and evaluate processes, costs and outcomes and improve VFM. | All contracts and service level agreements contain provision for periodic review to improve value for money. | Contract documentation includes provision for periodic best value review | Ongoing | Simon Kwong, John Phillips, David Selo, Doug Goldring | <ul style="list-style-type: none"> Annual review of all contracts let Annual review of BP objectives achievement Annual review of last AES |
| 17. Clearly resourced plans to achieve delivery of key priorities including decent homes and sustainable communities | Funding to achieve decent home requirements achieved through ALMO funding, private finance initiative and limited stock transfers. | Capital programme 2005 – 2010 | Ongoing | John Phillips | |
| 18a. Evaluate effectiveness of procurement. | Contract reviews built into specification. ISSC review meetings. CAU reviews. | | Annually or as otherwise specified in contract | Simon Kwong | Partnering contracts have ongoing assessments of contract performance written in to them |
| 18b. Evaluate effectiveness of efficiency gains | Annual evaluation of efficiency and service improvement outcomes. Evidence of improvements in services or facilities demonstrated by satisfaction surveys, performance information and cost comparisons. | Annual report on efficiency and service improvement outcomes | Annually | Simon Kwong | HFI produces an annual AES, which includes a backward look at efficiencies achieved in the previous year. The AES is reported to HFI's Board and forwarded to LBI for inclusion in their AES. |
| 18c. Evaluate effectiveness of service improvements | Monthly performance monitoring by MT. Strategic performance monitoring by Board Benchmarking with other providers against performance and cost | MT Performance report Board reports HouseMark benchmarking reports | Annually | Simon Kwong | <p>Annual tenant satisfaction surveys undertaken in June each year.</p> <p>Formal evaluation of service improvements to be undertaken</p> |

Appendix 2

Terms of Reference for Efficiency and Procurement Review Group (EPRG)

Introduction

Continuous efficiency improvement is at the heart of the Government's efficiency agenda. The "Gershon Review" is the framework that local authorities and ALMOs are required to follow and success is a key measure in the Audit Commission's periodic evaluation of organisations.

Purpose

The purpose of the Homes for Islington Efficiency and Procurement Review Group (EPRG) is to promote the efficiency objectives set out by the government and the Audit Commission and to implement the Homes for Islington Efficiency Strategy. Action Plan.

Role

The role of EPRG is:

Efficiency

- Develop and implement a strategy to achieve efficiency requirements of the government and the Audit Commission;
- Meet requirements for annual efficiency savings set by the council and the government;
- Conduct a programme of efficiency reviews covering all aspects of the service.

Procurement

- Develop and implement a strategy to achieve effective and efficient procurement of goods and services;
- Ensure value for money in the procurement of goods and services;
- Ensure value for money in the procurement of capital and revenue property works including supply of materials;
- Monitor the effective use of HFI's procurement procedures.

Members

- Chief Executive
- Directors of all service areas:
 - » Operations
 - » Resources
 - » Performance and Service Development
 - » Property Services
- Board director(s)
- Islington Council Partnerships Manager
- Other members nominated by the Chief Executive

EPRG will be chaired by the Chief Executive and facilitated by the Strategy and Procurement Manager.

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