



Efficiency Briefing

Issue 5 16 March 2005

HouseMark

This briefing aims to keep you abreast of the government's emerging efficiency agenda and how the housing sector is responding. We've updated our 'evolving agenda grid' in section 3 to reflect recent developments, and section 1 covers recent news. If you haven't read previous issues and you want to get the full picture, just go to the HouseMark website to pick up past copies.

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1. What's New?

1.1 ODPM publishes efficiency guidance

Important documents have been published recently which seek to clarify the government's approach to efficiency in both the social housing and local government sectors. They are essential reading for those with responsibility for determining an organisational response to the government's efficiency agenda. They are:

- **Social Housing Efficiency: A discussion paper** – introduces two documents for informal discussion:
 - a draft efficiency technical note which sets out the governments proposals for measuring efficiency gains in the social housing sector
 - draft arrangements for the payment of grants and loans to organisations wishing to set up procurement consortia for capital works

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/pdf/odpm_house_pdf_035424.pdf

We refer to this document hereafter as the 'draft' Social Housing ETN. Consultation ended 11 March. A revised final ETN will be reissued in April.

- **Efficiency Technical Note (ETN) for Local Government** - outlines how councils will measure and report efficiency gains:

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_032805.pdf

Associated documents:

- **Social Housing Efficiency: FAQs** - provides answers to frequently asked questions on housing and efficiency:

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/pdf/odpm_house_pdf_035425.pdf
- **Delivering efficiency in local services: further guidance** – complements the Local Government ETN. Also covers how change agents such as the Regional Centres of Excellence will provide support and includes sections covering social housing and Supporting People:

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_034633.pdf

Efficiency Technical Notes (ETNs) explain the approach to measuring achievement against the government's efficiency targets set out in the Spending Review 2004. The Local Government ETN deals with the ODPM's efficiency target for the local authority sector whilst the draft Social Housing ETN sets out proposals for measurement of efficiency gains made in specific cross-sector housing 'work streams' i.e.:

- procurement of new housing supply
- procurement of housing capital works
- delivery of housing management and maintenance
- procurement of commodity goods and services

The ETNs supersede the drafts published before Christmas. The draft Social Housing ETN should be read in conjunction with the Local Government ETN as the latter provides additional detail on the completion of Annual Efficiency Statements (AESs).

As outlined below at 2.2, the AES is the method by which councils and housing associations report their planned and achieved efficiency gains.

The government's approach to efficiency is asserted early in the draft Social Housing ETN:

Improving efficiency is not about cutting services, but about delivering better outcomes for our communities with the available resources. Social landlords will be able to use money saved by improving efficiency in social housing to feed directly into the provision of more housing and improved services for millions of people.

For more on this, see section 2 below.

1.2 Housing Corporation reissues operating cost index

The Housing Corporation has reissued its operating cost index, based on a revised methodology, following consultation on last summer's pilot initiative. Two versions of the index for all associations that own or manage more than 250 social housing units have been produced - one that includes the cost of major repairs and another that does not. It therefore covers more than 500 associations – the pilot only covered around 200 associations.

Key issues:

- the operating cost index provides a means of comparing costs between associations on a per unit basis. The index is the result of an analysis which predicts operating costs for associations based on the influence of cost drivers such as the number of units an association manages or whether it is a stock transfer association or not. It can be used to identify those associations whose actual costs appear to be higher or lower than others, after having adjusted for the cost drivers.
- for the majority of associations, operating costs associated with landlord activities represent over 90% of all expenditure. However, some associations apply significant resources to non landlord related activities. Therefore, the index alone cannot be used to conclude that one association is more costly than another, providing a similar output. In order to provide a context for how relevant the index is to each association, they have incorporated within the table of results the percentage of total expenditure which relates to lettings activities. For those associations where this figure appears much lower than the average, it is reasonable to suggest that there are significant costs incurred by those associations which are not fully reflected within this analysis.
- if an association appears relatively high cost with major repairs included, but relatively low cost where major repairs are excluded, the association's spend on repairs is statistically more significant than for an average association. But, it should be noted that only costs disclosed as major repairs have been excluded from the second version of the index and associations do not disclose major repairs consistently.

- the Corporation only uses data sources available to it for all associations and only includes drivers which prove to be statistically significant
- the operating cost now used for comparative purposes excludes depreciation, impairment and social housing lease charges
- in order to achieve the most statistically sound result, the 504 associations in the analysis are split into four sub-divisions. These are:
 - stock transfer associations
 - large associations (with greater than 2,500 units in ownership and/or management)
 - smaller specialist associations (defined as those with fewer than 2,500 total units of which more than 80% is supported and/or sheltered)
 - smaller non specialist associations.

Sub-dividing the associations improves the statistical robustness of the model, by reducing the range of associations in the analysis.

- cost drivers have been found to impact the costs of associations differently in each of these subdivisions and fewer cost drivers were found to be significant for stock transfer associations than non transfer associations. A table in the Corporation's briefing note sets out the significance of cost drivers for the four sub-divisions.
- in this final analysis, being part of a group was found not to be statistically significant. The age of a transfer association is also indicated by a continuous variable – the number of years since the stock transfer, rather than a simple five year cut off which was used previously.

How the Corporation intends to use the indices

- focus regulatory resources on those associations who either appear to be the least efficient performers, relative to other associations, or those that appear to show no improvement or deterioration over time
- critical component of their strategy is to promote self improvement. In particular, supporting and encouraging initiatives relevant to performance improvement such as benchmarking, peer review and the NHF's iN business programme
- these indices will not be examined in isolation of all other available information. Instead they will complement other performance indicators covering both financial and non financial measures to build a more rounded picture. The Corporation will establish the reasons why an association's result appears poor compared to the average, eg results may be discussed during their normal regulatory interaction with associations, or they may already have specific information from an association that satisfactorily explains it.
- they will also want to discuss with associations their approach to improving efficiency. In due course, they will introduce the indices they are developing into the commentary on performance in Housing Corporation Assessments.
- these indices represent the starting point in the development of a suite of indicators which, taken together, can begin to provide a rounded picture of the relative efficiency of associations. Over the next twelve months they will develop their approach in consultation with association representatives, through a series of consultation documents and consultation events.

Housing Corporation briefing note, index results and ready reckoner:
<http://www.housingpis.co.uk/?contentid=Operatingcostindex>

1.3 Government launches social housing efficiency innovations project

A 'social housing efficiency innovations project', was launched by the housing minister on 10 February. It focuses specifically on the management and maintenance 'workstream' – one of four areas in which the ODPM is looking for efficiency gains from the social housing sector. The project is to be delivered by the Audit Commission.

The interim arrangement is to share positive practice via a website portal and later through the production of a detailed range of efficiency toolkits.

The project will run until late October 2005 and includes several new working approaches with the key outcomes being:

- to evaluate existing projects and share positive practice
- to seek new ideas still in development
- to consider the impact of implementing efficiency measures on tangible outcomes and improvements for customers
- to build improved capacity and knowledge within the social housing sector so that efficiency gains can be practically implemented

In particular, the Commission will be looking at:

- partnering
- housing management
- annual property checks for repairs and adherence to tenancy conditions
- incentive schemes
- use of repairs information
- maintenance

The Project is to be overseen by an Advisory Panel, comprising representatives from tenant and key stakeholder groups as well as from local authorities, housing associations and Arms Length Management Organisations (ALMOs).

The Commission will be working with others, such as HouseMark in terms of the dissemination of good practice in order to ensure complementarity of approach.

Audit Commission efficiency website: <http://www.audit-commission.gov.uk/housingefficiency/>

2. What does the new ODPM guidance say?

The following section is set out as follows:

2.1 Efficiency targets in social housing – sets out government targets for the social housing sector as a whole - but note that individual targets have not been set for social landlords.

2.2 Annual Efficiency Statements – reporting efficiency gains in capital works, management and maintenance and commodities procurement – sets out the method by which councils and housing associations report their planned and achieved efficiency gains, ie through validated self-assessment in the form of Annual Efficiency Statements (AESs). This section also sets out the process and timetable for the AESs. NB a different method for reporting efficiency gains in new supply has been developed – see 2.10.

2.3 Cashable and non-cashable gains - there is no mention of cashable and non-cashable gains in the Draft Social Housing ETN, yet the Local Government ETN makes such a distinction and requires both types of gain to be identified in the AES. As local authority landlords and ALMOs will be feeding data into their parent authorities' AESs, an appreciation of these concepts is necessary. HouseMark would recommend that housing associations also familiarise themselves with the concept of cashable and non-cashable savings.

2.4 Quality cross checks - when claiming cashable efficiencies, organisations need to demonstrate that gains have not been achieved by reducing quality – this requires a quality cross check as evidence that standards have not slipped.

2.5 What can and cannot count as an efficiency gain – explains ODPM's view of the kind of activities that can and cannot be counted as efficiency gains for inclusion in the AES.

2.6 Calculating efficiency gains - the Draft Social Housing ETN sets out a specific methodology for calculating efficiency gains claimed in the AES.

2.7 Supplementary guidance – although use of the supplementary guidance is not compulsory, organisations may wish to consider it as part of their forward planning, and as part of their internal process for satisfying themselves that their reported efficiency gains are evidence based and auditable.

2.8 Time-lags between costs and benefits – guidance from the Local Government ETN on how to account in the AES for time-lags between undertaking a project, with its up-front costs, and the associated efficiency gains.

2.9 Other technical issues - various other 'technical issues' are also explored in the Local Government ETN

2.10 Reporting efficiency gains in new supply – efficiency gains in new supply will not be picked up through the AES process – instead gains will be calculated from data collected by the Housing Corporation which will be used to assess whether and by how much the cost to the public sector of providing social homes of a particular size, type and location has fallen in real terms.

2.1 Efficiency targets in social housing

Taking the social housing sector as a whole, the ODPM has made a commitment to find efficiency gains over a period of three years - rising by 2007/8 to £480m from local authority landlords and ALMOs and £355 from associations - across four work streams.

ODPM's detailed targets for efficiency gains in the social housing sector are set out in the table below.

	Total spend 04-05 (£m)	Estimated total social housing efficiency gains (£m)			LA spend in 04-05 (£m)	Estimated LA gains contributing to LG efficiency target (£m)			RSL spend in 04-05 (£m)	Estimated RSL gains contributing to ODPM efficiency target (£m)		
		05-06	06-07	07-08		05-06	06-07	07-08		05-06	06-07	07-08
New Supply	1,650	130	140	160	0	0	0	0	1,650	130	140	160
Capital Works		14	170	340		12	140	280		2	30	60
M&M		120	210	280		85	150	200		35	60	80
RSL Commodities		10	30	55		0	0	0		10	30	55
Total		274	550	835		97	290	480		177	260	355

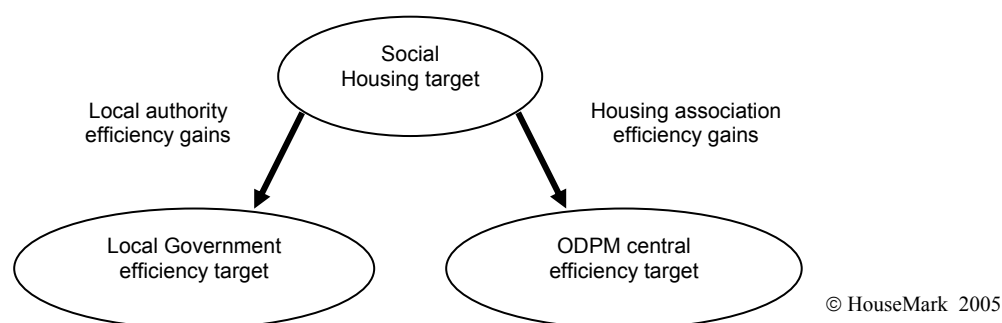
Efficiency gains made by local authority landlords and ALMOs are to be reported in the corporate local authority AES together with gains from other council services. This means that these efficiencies will also count against the ODPM's local government target of at least £6.45bn annual efficiency gains by 2007/8.

Gains made by housing associations are to be reported in their own AES and count against the ODPM's 'central' target of at least £620m efficiency gains per annum by 2007/8.

ODPM will report aggregated gains in respect of both targets back to HM Treasury.

Although gains for associations and councils fall into different pots, for implementation and monitoring purposes, the social housing sector will be treated as a whole. In this way the social housing sector is being monitored in its own right. See diagram below.

Where social housing efficiency gains are counted



No individual efficiency targets have been set for social landlords – the Draft Social Housing ETN states, “we recognise that every social landlord is operating in distinctive circumstances that need to be taken into account in setting targets and in planning how to deliver improved efficiency.” As well as providing flexibility in terms of how social landlords approach efficiency, this also provides an opportunity for organisations to set targets which reflect their comparative starting position in terms of efficiency - i.e. some may already be relatively lean.

Corporately, however, each local authority must find 2.5% per annum based on their 2004/5 baseline. By 2007/8, gains equivalent to 7.5% of the 2004/5 baseline should have been achieved. This corporate target may, in practice, set the level of efficiency expected of local authority housing departments and (by extension) ALMOs.

Efficiencies will be measured against a 2004/5 baseline over the period 2005-6 to 2007-8 – the operative timeframe of the 2004 Spending Review.

Efficiencies achieved in 2004/5 (the baseline year) that continue through to the end of 2007-8 can be counted towards the 2005/6 target. This step has been taken so as not to place at a disadvantage those organisations which made a particular effort to secure efficiency prior to the Spending Review 2004 period.

2.2 Annual Efficiency Statements – reporting efficiency gains in capital works, management and maintenance and commodities procurement

AESs are the method by which councils and housing associations report their planned and achieved efficiency gains.

The ODPM's approach to measuring efficiency in capital works, management and maintenance and commodities procurement is not prescriptive. It is based on the premise that social landlords should determine their own approach to efficiency, reflecting their own circumstances and that efficiency gains should be reported on a self-assessment basis. There appears to be a great deal of scope therefore in terms of what efficiency

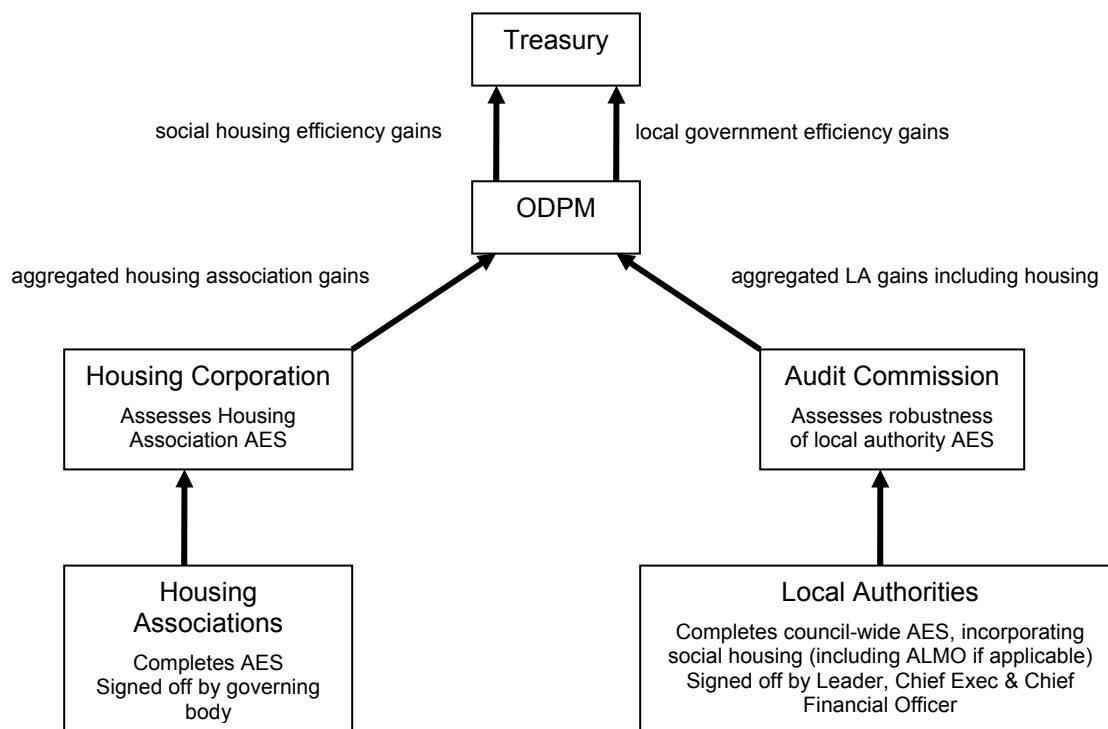
objectives are set and how they are reported through the AES. It should be noted that gains in new supply will not be reported through the AES – a separate method for capturing efficiency in new supply has been developed (see 2.10).

Key features of the AES:

- councils must produce an AES, signed off the Leader of the Council, Chief Executive and Chief Financial Officer, that covers all their services including social housing. Where the authority’s housing is managed by an ALMO, the authority is responsible for ensuring that the ALMO provides a robust assessment of the gains it has made and that this is included in the AES. (HouseMark would recommend, therefore, that ALMOs produce their own AES for internal management purposes.)
- lead regulated housing associations need to produce an AES which should be signed off by the board. RASA associations (less than 250 stock) should report their efficiency gains through existing regulatory arrangements. The specific timing of the housing association AES has not yet been determined. The Housing Corporation will be issuing guidance in the next few weeks.

See diagram below.

Reporting annual efficiency gains



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- Details of the process and timetable for submitting the local government AES are set out in the Local Government ETN:
 - on or before 15th April 2005, authorities will need to submit the ‘forward look’ element of the AES, setting an efficiency target for 2005/06. The forward look should be a very brief (one or two pages) outline of the strategy for securing efficiency gains, the key actions that will be taken during the next year, and the efficiency gains that are expected to result from them. A template for the forward look element of the AES is set out at page 13 of the Local Government ETN.

- on or before 15th June 2005 authorities submit a 'backward look' element of the AES, setting out efficiency gains achieved in 2004/5 (and which are expected to be maintained through to 2007/8) by service sector and cross-cutting area. Councils report whether the gains are cashable or non-cashable and whether they are one-off or recurring. Councils are also required to indicate, through quality cross checks, whether quality has been maintained or fallen. For more on cashable and non-cashable gains and quality cross-checks, see 2.6 and 2.7. A template for the backward look element of the AES is set out at page 14 of the Local Government ETN.
- on or before 17th November 2005 single tier and county councils that do not have excellent status are required to provide a mid-year update to ODPM. Excellent councils and districts are invited to volunteer information on mid-year progress. The mid-year update should include:
 - forecast efficiency gains
 - reasons for any expected major short-fall, and plans for overcoming that short-fall.
- on or before 14th April 2006 authorities will need to submit the forward part of the AES, looking ahead to the year 2006/07
- on or before 16th June 2006 Councils submit the backward part of the AES, setting out efficiency gains achieved in 2005/6
- minimum reporting requirements for local authorities *in relation to social housing* are to report, as a cash sum, the efficiency gains delivered in the previous financial year in both:
 - housing capital spend (roughly equivalent to spend on housing capital works)
 - housing operating expenditure (roughly equivalent to spend on housing management and maintenance services).
- minimum reporting requirements for associations are to report a cash sum for efficiency gains achieved in the previous financial year for:
 - capital works
 - management and maintenance
 - commodity procurement

However, it is anticipated that the Housing Corporation will also seek efficiency reporting at whole organisational level from housing associations.

- external scrutiny of AESs:
 - the Local Government ETN states that from 2006, councils' reports of efficiency gains are subject to review by the Audit Commission's appointed auditors – to assess the robustness of the process by which the authority identifies and calculates its efficiency gains. The auditor will require an adequate audit trail with evidence to support the reported efficiency gains and show how they were calculated. Those categories that have a quality cross-check that is met do not require further evaluation in relation to quality. Projects in those categories where the quality indicator has fallen will be subject to stronger scrutiny to assess whether they can be counted as efficiencies or not.
 - the Housing Corporation will assess the AES of each housing association – they will be cross-checked against performance indicators and operating cost indices
- AESs feed into regulatory assessments of how effective and efficient organisations are. They will figure in the:

- annual CPA 'Use of Resources' score for local authorities
- annual Housing Corporation Assessment for associations

HouseMark intends to provide guidance to its members on the completion of AES's in April following the publication of the final revised social housing ETN.

2.3 Cashable and non-cashable gains

As noted, there is no mention of cashable and non-cashable gains in the Draft Social Housing ETN, yet as discussed in section 2.2, the Local Government ETN makes such a distinction and requires both types of gain to be identified in the AES. As local authority landlords and ALMOs will be feeding gains into their parent authorities' AESs, an appreciation of these concepts is necessary. HouseMark would recommend that housing associations also familiarise themselves with cashable and non-cashable savings as the Housing Corporation may require a similar approach:

- ODPM expects at least half of a local authority's 2.5% annual efficiency gains to be cashable - no equivalent requirement has been placed on social landlords. Cashable simply means that the gain represents savings that can be released and spent elsewhere, ie on new or enhanced frontline services or keeping council tax down. Cashable gains arise from the first two scenarios set out at 2.5, ie E1 and E2.
- non-cashable gains come from improvements in performance, ie better quality or increased outputs for the same level of input, ie E3. The critical thing here is putting a 'cost on quality' so that such gains may also be measured in financial terms. This is very challenging – a government measurement taskforce is looking at this and the government also plans to commission research in 2005.

It is hoped that the final version of the Draft Social Housing ETN will clarify the position on cashable and non-cashable savings.

2.4 Quality cross checks

When claiming cashable efficiencies, organisations need to demonstrate that quality has been maintained. To assist in this process the Local Government ETN states that the government is developing a set of quality cross-checks so that councils may demonstrate that standards have not slipped. The auditors' review of the robustness of the efficiency statements will include an evaluation of the quality cross-check measures. Therefore the evidence and audit trail provided by councils in support of their AESs needs to cover both the efficiency gains made and the quality cross-check data.

As outputs from the government's work on quality cross-checks and assessing the monetary value of quality are not likely to materialise in the near future, organisations should start to think through how they would demonstrate both how quality has been maintained, eg satisfaction data and how enhanced quality could be expressed in financial terms.

2.5 What can and cannot count as an efficiency gain

ODPM identifies the following ways of achieving efficiencies:

- (E1) reducing inputs (money, people, assets etc) for the same outputs (e.g. fewer staff needed to provide the same quality housing services)
- (E2) reducing prices (procurement, labour costs etc) for the same outputs (e.g. less public subsidy needed for a new social home of the same size, quality and location)
- (E3) getting greater outputs or improved quality (extra service, productivity etc) for the same inputs (eg carrying out capital works to a higher standard with the same budget)

- (E4) getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in outputs (eg if increased spend on partnership working leads to better outcomes than would have been achieved through increased spend on existing approach)

What does not count as an efficiency gain:

- re-labelling activity (e.g. reclassifying housing management overheads as corporate overheads)
- making cuts that result in poorer quality services and outcomes for customer (any change to services should result in a net improvement in outcomes for tenants)
- transferring costs from one area to another without a net reduction in costs and without an increase in the level or quality of outcomes
- increasing income by charging customers higher rents and service charges.

2.6 Calculating efficiency gains

The Draft Social Housing ETN sets out a specific methodology for calculating efficiency gains.

It states that the efficiency gain is the difference between the actual cost of providing a service and the equivalent cost of providing the same level and quality of outputs in the baseline year (2004-05).

Efficiency gains in social housing should be calculated using the following method:

- establish the actual cost of provision in the previous financial year, i.e. the year on which you are reporting progress
- form an evidence-based assessment of what it would have cost to provide the same level and quality of outputs in 2004-05. This should include the cash value of any enhancements to the service
- uplift the 2004-05 cost of provision using inflation indices which will be provided by the ODPM and the Housing Corporation each year
- compare the actual cost of provision in the previous financial year with the cost of provision in 2004-05, uplifted for inflation. The difference between the two is the efficiency gain

It is envisaged that the inflation indices provided will be based on:

- Housing capital works: BCIS 'all-in' Tender Price Index (TPI)
- Housing management and maintenance: a combination of the BCIS Building Maintenance Index, RPI, and regional pay indices
- Commodity procurement: a combination of DTI's Quarterly Energy Prices Update and RPI.

2.7 Supplementary guidance

Supplementary guidance is provided in the Draft Social Housing ETN which organisations may wish to consider both as part of their forward planning, and as part of their internal process for satisfying themselves that their reported efficiency gains are evidence based and capable of verification by internal or external audit. Use of the guidance is not compulsory. The guidance links to the Housing Inspectorate's key line of enquiry on value for money (VFM KLOE).

Key features of supplementary guidance:

Inputs and outputs - this is about developing a proper understanding of costs and quality of outputs before taking focused action to drive those costs down whilst maintaining quality:

- establish robust information on the cost of each service area, including the component costs (eg what proportion of the total cost of capital works is spent on components such as labour, materials and project management costs).
- establish how good performance is in each service area using agreed quality standards and performance indicators, including indicators of tenant satisfaction.
- examine trends over time in the cost and quality of service provision, and identify reasons for areas of reducing or increasing costs, taking care to ensure that costs are not being reduced by reducing quality.
- compare costs and performance in each service area with that of peers. Benchmarking is encouraged as one of a range of tools to help social landlords understand their costs and take action to reduce costs.

Route taken to improve efficiency - this is about having clear strategies for improving value for money and learning from successes and any areas of weakness:

- ensure staff are familiar with best practice in construction procurement, including supply chain partnering approaches, and that this is followed
- research the potential to procure goods and services collectively at a lower cost; and research whether providing in-house services or outsourcing services would result in better costs and standards
- establish mechanisms for capturing and learning from any particular successes and examples of good practice and innovation in improving efficiency

ODPM believes establishing a good understanding of costs and outputs, and routes to improving efficiency, will enable a robust self-assessment using the method for calculating efficiency gains. In short, adoption of the principles set out in the supplementary guidance may be seen as evidence of developing a sound platform for the organisation's approach to efficiency, which would meet both ODPM and Audit Commission expectations. The VFM KLOE provides further detail on what might be a robust approach to efficiency.

Additional guidance on achieving and reporting efficiency gains in *capital works* will be available to those who choose to participate in the network of local procurement consortia that will be established. The ODPM's appointed National Change Agent will provide support and guidance to consortia members in completing their self-assessment of the efficiency gains they have made in the delivery of capital works.

2.8 Time-lags between costs and benefits

The Local Government ETN states that where there is a time-lag between undertaking a project, with its up-front costs, and achieving the associated efficiency gains, costs should be apportioned on a straight-line basis in line with standard accounting practice on depreciation. Efficiency gains are then reported as the difference between annualised cost and annual improvement for the chosen period.

2.9 Other technical issues

Various other 'technical issues' are also explored in the Local Government ETN:

- one-off improvements in efficiency – temporary gains should only be recorded against the year they occur and not counted in the cumulative total for future years
- efficiencies obtained by partnerships – different approaches are set out for joint ventures and partnerships where there is a clear lead
- efficiencies from long-term contracts already underway – productivity improvements clauses may be exploited by quantifying such gains for inclusion in the AES

- treatment of capital receipts – if resources are released through disposing of assets whilst maintaining service quality, this represents an efficiency gain. Similarly capital receipts used to reduce borrowing or attract interest payments represent on-going gains.
- where capital spend is likely to change significantly over the 2005/6 – 2007/8 period, ODPM is prepared to discuss the calculation of a target based on average spend over 2005/6 – 2007/8 rather than against the 2004/5 baseline

2.10 Reporting efficiency gains in new supply

New supply efficiency gains will not be reported - on a self-assessment basis - through the Annual Efficiency Statement process.

Instead, the calculation of new supply gains will be based on data collected by the Housing Corporation which will be used to assess whether and by how much the cost to the public sector of providing social homes of a particular size, type and location has fallen in real terms.

The gain is calculated by comparing the level of grant approved in a particular year with the grant that would have been required to achieve the same mix of different types, sizes, quality and locations of new social homes in 2003-04, adjusted to allow for changes in the general level of land and construction costs. ODPM proposes to use an inflation index of which 40% will be based on inflation in land costs and 60% on inflation in construction costs. This reflects the assumption that, nationally, land accounts for some 40% of the cost of building a home.

The baseline year for measuring efficiency in new supply is 2003-04 rather than 2004-05 (as with the other ODPM work streams). This is to enable a comparison between what has been achieved in the most recent bidding round of the Approved Development Programme, which allocated grant for 2004-05 and 2005-06, and what was achieved in the previous round, which allocated grant for 2003-04. Gains will be used to fund the provision of more new homes than would otherwise have been the case.

The detailed methodology underpinning this basic approach - see the Draft Social Housing ETN - strips out the impact on costs of changes in the mix of different types, sizes, quality and locations of new social homes procured. This means that reductions in cost based on procuring units that are smaller, poorer quality or located in areas where there is low demand will not count as an efficiency gain.

Although the methodology deals with the main aspect of quality - unit size - it does not yet take account of quality improvements arising from incremental improvements to the minimum standards for security, accessibility, flexibility, durability and environmental performance set in the Building Regulations and in the Housing Corporation's Scheme Development Standards, or those arising out of the pursuit of wider policy objectives that support the creation of well-designed sustainable communities. The intention is to 'correct' the method to take account of such improvements by estimating the equivalent grant cost of improvements and adding this to the efficiency gain. The Housing Corporation has commissioned the Building Cost Information Service to report upon the costs of a wide range of quality improvements – their report is imminent.

The ODPM and Housing Corporation are also working on methodologies for:

- capturing gains from the provision of affordable homes without grant – based on estimating the equivalent grant cost
- ensuring costs are not passed on to tenants in intermediate rent properties

2. Efficiency – Evolving Agenda and Implications for Housing Organisations

HM Treasury

Performance	Good Practice	Customer Focus	Procurement
<p>“Efficiency in the public sector involves making best use of the resources available for the provision of public services.” HM Treasury guidance to government departments in drafting their ‘Technical Notes’ (the explanation as to how they will make and measure efficiency gains) defines four ways of generating efficiency:</p> <ul style="list-style-type: none"> • reduced inputs (such as people or assets) to produce same level of output • reduced prices for same level of output • additional or improved outputs for same level of input • getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in outputs <p>Efficiency Review was published alongside and informs the Spending Review 2004. It aims to redirect resources released through efficiency gains to front-line public services. Potential for large savings identified in areas like procurement, back office and transactional services.</p> <p>Budget 2004 set public sector efficiency target of 2.5% pa between 2005-8 based on Gershon’s original estimate of £20 billion of efficiency gains across the public sector. Gershon now believes £21.5 billion gains possible.</p> <p>Efficiency targets set for all government departments and will flow through to Housing Corporation. Each department has a target that represents at least 2.5% gains. £6.45 billion per annum will be found in local government expenditure by 2007/8.</p> <p>From Autumn 2004 there will be formal assessments of the plans and departments’ progress towards delivering their agreed efficiency targets.</p> <p>Each departmental Secretary of State will be ultimately responsible and accountable for delivering efficiencies within their department, its non departmental public bodies (eg the Housing Corporation), agencies and relevant parts of the wider public sector. Progress towards meeting the efficiency agreements will be publicly reported so that the government is accountable for its results</p>	<p>Accelerate take-up of good practice in organisational efficiency, eg reducing overheads.</p> <p>Maximise return on investment in IT. Explore how IT can deliver efficiencies, particularly in transactional services, eg paying benefits</p> <p>Back office functions, eg human resources, IT, finance, etc need to be provided on a more efficient basis, eg, sharing services instead of being self-sufficient and duplicating activities.</p> <p>Address the impact of high staff turnover (identify recruitment and retention needs, greater focus needed on the total reward package for public sector workers) and staff sickness on services.</p> <p>Barry Quirk, CE of Lewisham, has been appointed to work with local authorities, government departments and other partners on the efficiency agenda to share and promote best practice on the ground.</p> <p>£25 m is available over 2004-05 and 2005-06 (a further £20 million will be available over 2006-07 and 2007-08 through the Capacity Building Fund) to support innovative programmes and Regional Centres of Excellence - led and managed by local authorities to drive forward efficiency and promote best practice in procurement, back office and transactional services in the regions. It will also support innovative programmes for authorities to share back office functions with other authorities and the wider public sector.</p>	<p>HM Treasury wants extra investment in local services and recycled efficiency gains felt where they matter most – at the front-line.</p> <p>Also wants the front-line freed up to provide services to the public - reduce activity that does not add value to providing what the customer wants, ie reduce:</p> <ul style="list-style-type: none"> • bureaucracy and ‘serving the organisation’ • inefficient processes • expensive support functions <p>Government’s longstanding commitment to public service reform and democratic renewal means that local services must be designed around and influenced by customers.</p>	<p>Procurement is the key to achieving significant savings, estimated at £6bn across the public sector by 2008.</p> <p>HM Treasury wants to see more collective and professional purchasing.</p> <p>Expectation that all government departments ensure all procurement in those public sector bodies that they fund is conducted either (a) via a process (eg, a framework agreement, catalogue, or procurement card) that has been put in place by a professional procurement specialist; or (b) has the direct support of procurement professionals. The Gershon report states that too much public procurement is undertaken without professional support which results in sub-optimal value for money and unnecessarily high prices being paid for goods, works and services.</p>

ODPM

Performance	Benchmarking	Good Practice	Customer Focus	Procurement
<p>Expectation that each local authority will achieve 2.5% efficiency gains per annum. Each council free to choose how. 50% of the efficiency gains should be 'cashable', ie the savings may be redirected to frontline services - "...all the cashable efficiency gains made can be retained and recycled within local service." Non-cashable gains are essentially improved performance/outputs for the same resources. ODPM "not seeking cuts in the quality of services...improving efficiency is about doing more for the same, not about cuts."</p> <p>Targets also set for social housing efficiencies - £835m by 2007/8. Savings in new supply will fund more new homes.</p> <p>Baseline year is 2004/05 - initially targets will have to be based on estimated as opposed to actual out-turn spend.</p> <p>ODPM issued revised Efficiency Technical Notes (ETNs) for consultation in January and February 2005. They set out how efficiency gains will be made and measured – a Draft Social Housing ETN provides detail on the government's expectations from the social housing sector, while the Local Government ETN covers local authorities as a whole:</p> <ul style="list-style-type: none"> • gains to be made across four workstreams: new supply; capital works; management and maintenance; and procurement of commodities. Separate methodologies for measuring gains in new supply and the other three workstreams. • planned and achieved gains will be reported through a self-assessed Annual Efficiency Statement (AES) - LA landlords and ALMOs will feed into the local authority AES, housing associations will produce their own. • Audit Commission to check robustness of AES. Also to include assessment of AES as part of 'use of resources' assessment for CPA, incorporated into the annual external audit. • Housing Corporation to scrutinise AES and include assessment of AES in HCA <p>Also aim to find efficiencies in the Supporting People programme, eg through procurement initiatives, benchmarking and the identification and dissemination of good practice (see <i>Delivering Efficiency in Local Services: Further guidance</i>).</p> <p>Considering linking funding to efficiency.</p>	<p>In terms of the efficiency agenda, the Draft Social Housing ETN encourages benchmarking to help landlords understand their costs and take action to reduce costs.</p>	<p>ODPM exploring efficiency gains in management, and maintenance with a view to rolling out successful approaches which have yielded efficiency benefits from April 2005, eg:</p> <ul style="list-style-type: none"> • systems thinking – in essence the approach is about rethinking how work is done – the emphasis is on designing systems around the end user and eliminating any non-value activity. It has a bottom up ethos where those delivering the service are deemed the most appropriate to redesign and perfect systems in order to optimise work flow and the resultant service quality. It has been piloted at three sites and appears to be a success with the roll out of the approach planned for April 2005. A report on the outcome of the pilots will also be published in April. • efficiency packs – the Audit Commission has been funded to provide good practice material. The interim arrangement is to share positive practice via a website portal and later through the production of a detailed range of efficiency packs, scheduled for October 2005. Areas of focus: <ul style="list-style-type: none"> ○ partnering ○ housing management ○ annual property checks for repairs and adherence to tenancy conditions ○ incentive schemes ○ use of repairs information ○ maintenance <p>The ODPM is also promoting a better split between planned and responsive repairs.</p>	<p>Efficient and effective customer-focused services at the heart of Best Value – a central plank of the government's long-term aim to deliver democratic renewal and reform public services. The efficiency agenda is about, "continually developing more effective ways of delivering the same or better outcomes for customers: for tenants and communities."</p>	<p>Procurement key feature of government's approach for some time, eg Best Value, Byatt Report, Egan, etc. There are concerns about procurement practice and skills.</p> <p>Efficient procurement is at the heart of successful delivery of Sustainable Communities Plan. Primary focus is on collective procurement as this is where biggest savings possible.</p> <p>The ODPM endorsed the Procurement for Housing (PfH) approach to collective procurement as part of its submission to the Gershon Review. PfH, developed by HouseMark and partners and available free to all HouseMark subscribers, uses the collective purchasing power of housing organisations to negotiate better deals with suppliers (see Section 4 for more detail). The government sees collective procurement and a more professional approach to procurement as key efficiency drivers.</p> <p>In terms of the procurement of capital works, the ODPM is again encouraging a collective approach. It aims to roll out a national network of local collective purchasing consortia based on the Fusion 21 model in Merseyside. A £33m Efficiency Challenge Fund has been established to fund the set up of local consortia. Fusion 21 is delivering savings of 25 - 30 % on the cost of materials for repairs and an overall net saving of some 7.5 % on the cost of repairs projects for its members. Accordingly, the ODPM anticipates annual savings of 7.5% from each of the new consortia. For more information on Fusion 21, visit the HouseMark website: http://www.housemark.co.uk/hmkb2.nsf/0/5826819E0815893280256E670065507A?opendocument</p>

Housing Corporation

Performance	Benchmarking	Good Practice	Customer Focus	Procurement
<p>The Corporation believes the sector can and should do better.</p> <p>ODPM's End to End Review of Housing Corporation – highlights:</p> <ul style="list-style-type: none"> • a new efficiency focus for regulation - in response to concerns that there was currently an insufficient emphasis on the efficiency of housing association operations • development of a high level operating cost indicator – to facilitate comparisons across associations. Corporation also looking to devise treasury management and development efficiency indicators. • efficiency unit set up – to manage efficiency indicators and promote efficiency amongst associations • “the Housing Corporation and ODPM should consider with HM Treasury, Audit Commission, NHF and lenders what tools need to be developed to effectively deal with under-performing RSLs. This may include consideration of the need for additional legislation” <p>Corporation's use of operating cost index:</p> <ul style="list-style-type: none"> • focus on those associations who appear to be the least efficient or those that appear to show no improvement or deterioration over time • index will not be examined in isolation - instead they will complement other performance indicators covering both financial and non financial measures to build a more rounded picture. The Corporation will establish the reasons why an association's result appears poor compared to the average, eg results may be discussed during their normal regulatory interaction with associations. • they will also want to discuss with associations their approach to improving efficiency. In due course, they will introduce the indices they are developing into the commentary on performance in Housing Corporation Assessments. • these indices represent the starting point in the development of a suite of indicators which, taken together, can begin to provide a rounded picture of the relative efficiency of associations. Over the next twelve months they will develop their approach in consultation with association representatives, through a series of consultation documents and consultation events. <p>New regulatory requirement that all housing associations should provide evidence of external validation of their performance reporting systems. Purpose is to assist associations in ensuring that their performance reporting systems are capable of generating accurate and high quality output data.</p> <p>The Housing Corporation expects:</p> <ul style="list-style-type: none"> • all housing associations with 2,500 dwellings or more to have their performance reporting systems externally validated by March 2005. • all housing associations with 250 dwellings or more to have their performance reporting systems externally validated by March 2006 <p>This follows successful pilot of the approach. To be used for improving analysis of efficiency. It will also underpin associations' efforts to make more rigorous assessments of their own performance (including VFM) and provide a basis for developing the regulatory approach to individual associations.</p> <p>Likely to link ADP funding and HCA assessments to evidence of efficiency.</p>	<p>Benchmarking an established requirement of organisations' approach to service improvement, eg in setting top quartile targets, using it as an analytical tool to understand cost and performance drivers, etc.</p> <p>Even more important now as comparisons necessary to inform self-assessment and inspector/ODPM judgements on efficiency and cost-effectiveness, which in turn will inform extent of future inspection activity and will inform regulatory approach.</p> <p>End to End Review Action - encourage use of benchmarking by housing associations.</p> <p>The Corporation reissued its operating cost index in January 2005 following consultation on the pilot approach. The model is available online so that associations may see how it works for them and they are encouraging its use in benchmarking clubs – self improvement is critical component of the Corporation's strategy.</p>	<p>Housing Corporation is committed to the dissemination and application of good practice.</p> <p>End to End Review Action:</p> <ul style="list-style-type: none"> • promote self-improvement of RSLs through combination of publicity about performance and good practice material. Encourage use of peer review, benchmarking and quality models by RSLs (ongoing). • redefine the principles of the Innovation and Good Practice Grant and related programmes (to see what scope there is to use them to drive RSL efficiency and effectiveness) and work with existing centres of excellence to focus on the delivery of key ministerial priorities (by November 2004) 	<p>Customer-focus is a key element of regulatory code and guidance.</p>	<p>Expectation of sound procurement practices and contractual arrangements feature in regulatory code and guidance.</p> <p>End to End Review: “As soon as possible the Housing Corporation should pursue progressively higher efficiency in the procurement and delivery of new development and in the management of housing stock. In delivering this the Housing Corporation should:</p> <ul style="list-style-type: none"> • look to use the investment programme, regulation and other programmes and tools to drive and facilitate better performance and delivery, • in particular aim to progressively reduce unjustified variations in cost effectiveness between similar RSLs • identify with the National Housing Federation how to foster improved practice in procurement of both new social housing and of the management and maintenance of the existing stock.” <p>End to End Review Action:</p> <ul style="list-style-type: none"> • produce strategy for championing good procurement practice in the construction sector in consultation with OGC and Constructing Excellence. In particular to promote use of procurement consortia (by December) • evaluate and develop partnering to improve the efficiency and effectiveness of investing grant in RSLs (by March 2005)

Audit Commission

Performance	Benchmarking	Good Practice	Customer Focus	Procurement
<p>Changes in housing inspection methods introduced over 2004, eg unified rating system (stars) to allow cross-sector comparisons and Key Lines of Enquiry (KLOEs). KLOEs provide the assessment framework on which inspection judgements are made. A number of KLOEs have been developed which focus on key service areas, eg income management; prospects for improvement; and key themes, ie value for money, diversity and customer issues. VFM is embedded, therefore, in the assessment framework for inspections.</p> <p>The Commission defines VFM as the relationship between economy, efficiency and effectiveness. VFM is high when there is an optimum balance between all three - relatively low costs (economy), high productivity (efficiency) and successful outcomes (effectiveness).</p> <p>In its August consultation paper, the Commission proposes that inspectors will make efficiency and effectiveness judgements by focusing on four areas:</p> <ul style="list-style-type: none"> • how do the service's costs compare to others, allowing for local context, performance and legitimate policy choices? • what evidence is there about whether value for money is improving and efficiency gains are being made? • how is value for money managed, including through partnership and procurement, and taking a long-term view? • how have partnerships added capacity in terms of delivery of outcomes to customers? <p>Self-assessment is required prior to inspection and will inform inspection activity. VFM is a key element of self-assessment. The rigour with which the self-assessment is carried out will feed into the judgement and shape future engagement.</p>	<p>Benchmarking an established requirement of organisations' approach to service improvement, eg in setting top quartile targets, using it as an analytical tool to understand cost and performance drivers, etc.</p> <p>Even more important now as comparisons necessary to inform self-assessment and inspector/ODPM judgements on efficiency and cost-effectiveness, which in turn inform extent of future inspection activity and regulatory approach.</p> <p>What inspectors will look for:</p> <p>Comparing Costs</p> <ul style="list-style-type: none"> • Do overall and individual service costs compare favourably with similar organisations? • Are costs commensurate with the service delivery, performance and outcomes achieved? • Is there a clear understanding of the organisation's costs and quality of services provided? • Are resources and policy aligned? Are they used to target organisational priorities? • Is accurate information on costs and services collected and is this used to decide priorities and strategically manage resources? • Does the organisation fully understand the link between activities and costs, including attributing specific costs to particular activities and use this information to determine future procurement and investment decisions? 	<p>Commission committed to the dissemination and application of good practice.</p> <p>What inspectors will look for:</p> <p>Managing and Improving VFM</p> <ul style="list-style-type: none"> • Has there been a sustained focus on VFM over time? Is a VFM culture embedded throughout the organisation? Does the organisation set and achieve challenging efficiency targets, reinvesting gains to improve services in areas of need? Are gains achieved without loss of quality? • How is the organisation securing and then using resources to deliver Government and Housing Corporation priorities? Are there clear plans to achieve the delivery of key priorities including DHS, Market Renewal, Sustainable Communities and Supporting People? Has the organisation successfully secured additional resources where available? <p>See the ODPM section too above for the work the Audit Commission is doing to research and promote efficiency in management and maintenance.</p>	<p>Approaches VFM from perspective of the customer.... but the interests of the user must be balanced by those of the tax payer.</p> <p>Diversity, access to services and customer care will continue to be significant areas of scrutiny.</p> <p>What inspectors will look for:</p> <ul style="list-style-type: none"> • What have been the impact outcomes for customers? <p>Managing and Improving VFM</p> <ul style="list-style-type: none"> • Do VFM considerations focus on the costs and benefits to the customer? • Do stakeholders recognise that services have been designed to best meet their needs within the financial constraints? Do investment and procurement decisions demonstrate the organisation is acting in the long-term interest of service users? • How have customers and other stakeholders been involved in service design, procurement decisions, choice and delivery? 	<p>Poor procurement practice and skills, along with poor contract management/weak client role is a recurring feature in inspection reports.</p> <p>What inspectors will look for:</p> <p>Managing and Improving VFM</p> <ul style="list-style-type: none"> • Is there a robust procurement strategy and is this being delivered? • Has the organisation fully explored what the market can potentially deliver, including contract 'packaging' and procurement? • How have procurement decisions made full use of modern procurement practices? (eg partnering and collective procurement) • Has the organisation delivered demonstrable VFM though the application of a transparent framework that treats all potential partners on an equitable basis? • Is the organisation contributing to the sector wide efficiency targets: <ul style="list-style-type: none"> ○ New Supply ○ Capital works ○ Management and Maintenance ○ Commodities • How has the organisation developed real and meaningful partnerships with existing and potential external stakeholders and suppliers, including the use of procurement consortia? Can the organisation demonstrate efficiency gains and/or quality improvement through partnerships and corresponding improvements in services?

Audit Commission

CPA: Commission proposals for CPA 2005:

- corporate assessment will include more explicit consideration of management of resources and VFM when reaching judgements about capacity
- annual use of resources judgement will be a prominent element of new approach:
 - stronger judgements on financial planning and management, internal controls, financial standing and a VFM judgement drawing on self-assessment
 - use of resources judgement will be based on annual audit work
 - key lines of enquiry will be used to provide a scored judgement on use of resources
 - self-assessments that councils provide to help inform the judgement on value for money should incorporate local authorities' annual efficiency statement of gains achieved.
- service block scores to be based entirely on performance data from 2007:
 - drawing on a broader range of data – almost all of which is already collected
 - both individual data items and the overall housing score to be on 1 – 4 scale
 - shift from scoring system based on quartiles to absolute scores, ie defined levels of performance – the Commission is consulting on such standards, ie thresholds for 'minimum requirements' and 'well above minimum requirements'
 - overall housing score determined by the proportion of indicators failing/exceeding the thresholds - some indicators to carry more weight through a 'rules' system, ie time spent in B&B and decent homes – falling below minimum standards here will limit overall score to a 1 or a 2
 - suggested data to drive the framework is included in the service block consultation document
 - transitional arrangements:
 - inspection scores taken into account for four years rather than current three
 - December 2005 – use unexpired inspection scores and new inspection results
 - December 2006 – inspection scores 50% weighting

Consultation ends 18/02/05.

Implications for housing organisations - HouseMark assessment

Performance	Benchmarking	Good Practice	Customer Focus	Procurement
<p>Note the increased focus on value for money by government and inspectors and be prepared to demonstrate efficiency savings – are you providing value for money, and do your customers think so?</p> <p>Identify potential savings and set internal cost saving targets, eg through service reviews.</p> <p>Monitor performance in real time (quarterly)</p> <p>Monitor cost-effectiveness annually</p> <p>Respond positively (and honestly) to self-assessment.</p> <p>Note an increased emphasis on robust (and consistent) data collection practices and systems – housing associations need to note the new regulatory requirement to have their performance reporting systems externally validated.</p> <p>Intelligent performance management – set targets, monitor and benchmark but what happens next? Unpack PIs to understand performance. Ask why? Improvement action must flow from analysis:</p> <ul style="list-style-type: none"> immediate remedial action where appropriate service development and exploration of good practice <p>Develop meaningful baskets of local indicators, including efficiency measures. Avoid:</p> <ul style="list-style-type: none"> skewing (indicators weighted to one aspect of business resulting in over focus) unintended consequences <p>Ensure they are balanced in terms of service coverage and reflect what's important to the customer</p>	<p>The need to benchmark has never been greater. Benchmarking is an important element of self assessment - enables organisations to:</p> <ul style="list-style-type: none"> drill-down beyond national efficiency indicators identify inefficient activities set realistic targets for improvement generate a rounded picture of efficiency using data not otherwise available to ODPM, Housing Corporation and the Audit Commission <p>Need for robust, comprehensive and regularly updated data to determine efficiency:</p> <ul style="list-style-type: none"> inform self-assessment demonstrate progress/attainment against targets demonstrate value for money identify areas for improvement need to understand actual and comparative costs and their drivers, eg pay, central support services, repairs, etc. need to demonstrate reductions in cost and/or improvements in quality or quantity of outputs <p>This requires intelligent use of benchmarking, eg:</p> <ul style="list-style-type: none"> organisation's performance over time comparisons with others, including 'best in class' comparing costs as well as performance think through which performance areas lend themselves to say all-England comparisons (eg rent arrears) as opposed to a 'nearest neighbour' basis (eg voids). use benchmarking as a catalyst for improvement work use benchmarking to develop cost management strategies explore how you can reduce overheads evaluate the potential effect of changes through online scenario modeling 	<p>Explore and adopt good practice. There is a growing sense of frustration that good practice is available and understood but not being taken-up. This picks up on the need to develop a culture that embraces learning.</p> <p>Identify services and processes (via benchmarking) for improvement:</p> <ul style="list-style-type: none"> explore processes and re-engineer – look to design out waste, variation/inconsistency and approach processes from customer perspective, reducing activity that doesn't add value. How can the productive time of staff be maximised? maximise use of IT as part of leaner processes and as a means of accessing services and dealing with transactions – the government believes savings can be made in transactional services explore back office service efficiency and effectiveness (eg human resources, IT, finance, etc) and the potential for procuring or sharing such services – again the government believes real savings can be made here <p>Review organisational structure – is it efficient and effective?</p> <p>Manage staff sickness to improve productivity</p> <p>Review approach to recruitment and retention to support front-line services. Consider particularly the reward package, including flexible working and pensions.</p>	<p>Provide evidence of how decisions on cost/quality trade-offs and short and long-term benefits are made when shaping services, and how they reflect meaningful engagement with customers.</p> <p>Ensure services are what's wanted with customers – customers must influence services</p> <p>Review contracts and procurement strategies for savings – all key players expect significant savings here</p> <p>Explore collective procurement opportunities.</p> <p>Explore new service delivery models, eg service sharing – particularly back office functions – also consider new joined-up services based around partnerships and designed around customers.</p>	<p>Consider your approach to procurement. Are your procurement methods effective? Is your approach rational? Do you have comprehensive procurement plans? Do you have sufficient procurement expertise?</p> <p>Review contracts and procurement strategies for savings – all key players expect significant savings here</p> <p>Explore collective procurement opportunities.</p> <p>Explore new service delivery models, eg service sharing – particularly back office functions – also consider new joined-up services based around partnerships and designed around customers.</p>

3. References

Social Housing Efficiency: A discussion paper – ODPM – 21/02/05

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/pdf/odpm_house_pdf_035424.pdf –

Introduces two documents for informal discussion:

- a draft efficiency technical note which sets out the governments proposals for measuring efficiency gains in the social housing sector
- draft arrangements for the payment of grants and loans to organisations wishing to set up procurement consortia for capital works

Social Housing Efficiency: FAQs – ODPM – 21/02/05

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/pdf/odpm_house_pdf_035425.pdf

Provides answers to frequently asked questions on housing and efficiency.

Efficiency Technical Note (ETN) for Local Government – ODPM – 28/01/05

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_032805.pdf

Outlines how councils will measure and report efficiency gains.

Delivering efficiency in local services: further guidance – ODPM – 28/01/05

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_034633.pdf

Complements the Local Government ETN. Also covers how change agents such as the Regional Centres of Excellence will provide support and includes sections covering social housing and supporting people.

Efficiency and Effectiveness: Securing Value for Money KLOE - Audit Commission - 09/12/04

<http://www.audit-commission.gov.uk/products/guidance/OCD68C37-776C-4C8B-ACAE-133F5A1F727C/KLOE32.pdf>

KLOEs provide a framework and consistent criteria on which inspection judgements are made for local authorities, arm's length management organisations (ALMOs) and housing associations in England. With the current emphasis on efficiency, this KLOE is particularly important:

- to assist organisations prepare for inspection
- because judgements on efficiency and effectiveness play a more significant part in the inspection
- as an ongoing self-assessment tool for evaluating how efficient the organisation is and where improvement action should be focused. In this way KLOEs are seen as promoting self awareness and continuous improvement and not simply a tool for inspection purposes.
- its principles need to be fed into business plans so that when inspected, efficiency and effectiveness are already built in to the organisation's strategic thinking, plans and culture
- the Audit Commission is likely to have regard to the Efficiency and Effectiveness KLOE when signing off the Annual Efficiency Statement

Proposals for comprehensive performance assessment from 2005 - Audit Commission - 09/12/04

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=ENGLISH^573^SUBJECT^17^REPORTS-AND-DATA^AC-REPORTS&ProdID=801B5290-48D3-11d9-A881-0010B5E78136>

The proposed changes represent “a more stringent test with more emphasis on outcomes for local people and value for money.” The consultation builds on proposals made earlier this year in **CPA – the new approach**. This consultation ends on 18 February 2005.

Delivering Efficiency in Local Services – ODPM - 08/11/04

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_032674.pdf

This information pack for leaders and chief executives provides information about what the 'Delivering Efficiency in Local Services' announcement means for local government, what local authorities will be expected to do, and how the Government plans to support efforts to achieve efficiencies. It also sets out when more detailed information will be available.

Improving Productivity and Efficiency: An Executive Guide – EOLG - 10/11/04

<http://www.lg-employers.gov.uk/publications/fullpublications/efficiency.html>

The Employers' Organisation for Local Government has produced an executive guide for councils on four key areas where effective people management can increase productivity, reduce expenditure and improve services. This is a timely publication as it provides guidance on a key source of efficiency gains identified in the Gershon review.

An Approach to Improving Efficiency in the Housing Association Sector: a discussion document - Housing Corporation - 12/08/04

<http://www.housingcorplibrary.org.uk/housingcorp.nsf/AllDocuments/5C522F4B6545446B80256EEE00317FE8>

This discussion document summarises the Corporation's approach to develop a measure of efficiency (since renamed operating cost index) and how it might be used in developing their regulatory approach. The measure has been developed by consultants Indepen, and the methodology and results of a pilot of around 200 associations are set out in the associated report, **Comparative Efficiency of Housing Associations**. The Corporation has issued an online 'ready reckoner' so that associations may see how the model works for them: <http://www.housingcorplibrary.org.uk/HousingCorp.nsf/AllDocuments/61C7A052863F4FAE80256EEE0032971F>

Comparative Efficiency of Housing Associations - Housing Corporation - 12/08/04

<http://www.housingcorplibrary.org.uk/housingcorp.nsf/AllDocuments/61C7A052863F4FAE80256EEE0032971F>

This report complements the Corporation's discussion document **An Approach to Improving efficiency in the housing association sector**. The report summarises the approach adopted by consultants Indepen to develop a measure of comparative efficiency for housing associations. The report also provides the results for a pilot of around 200 associations. The Corporation is seeking feedback on the approach developed by Indepen.

The Efficiency Imperative: Federation Briefing - National Housing Federation - 04/08/04

<http://www.housing.org.uk/library/viewfile.asp?fid=2894>

The purpose of this briefing paper is to support the work of their members in defining the sector's response to the efficiency imperative and more specifically to make the links between the efficiency agenda and effective development of iN business for neighbourhoods.

A Modern Approach to Inspecting Services – Audit Commission – 03/08/04

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=english^576&ProdID=073E289D-8848-47A6-8D0E-D081253BB8FF>

This consultation paper sets out proposals on how the Audit Commission will inspect local public services from 1 April 2005.

Atkinson Review Interim Report - Measurement of Government Output and Productivity for the National Accounts – ONS - 19/07/04

http://www.statistics.gov.uk/about/methodology_by_theme/atkinson/downloads/atkinson.pdf

Atkinson is exploring the quantification of public sector output on a national level, which draws on a limited set of indicators, some of which are quality measures. This is interesting as it provides an insight into the (considerable) issues associated with developing quality measures. This Public Finance article (20/08/04) explores the interim findings:

http://www.cipfa.org.uk/publicfinance/search_details.cfm?News_id=20968&keysearch=measure%20for%20measure

Spending Review 2004 – HM Treasury – 12/07/04

http://www.hm-treasury.gov.uk/spending_review/spend_sr04/spend_sr04_index.cfm

All the key documents from the spending review, including the Chancellor's speech, departmental chapters, press notices and Gershon report

Housing Key Lines of Enquiry (KLOEs) - Audit Commission - 05/07/04

<http://www.audit-commission.gov.uk/reports/GUIDANCE.asp?CategoryID=ENGLISH^1628^SUBJECT^1200^GUIDANCE^ABOUT-HOUSING-INSPECTIONS&ProdID=0CD68C37-776C-4C8B-ACAE-133F5A1F727C>

A list of key lines of enquiry that detail what will be covered in inspections and the standard expected of excellent and fair housing services.

Business Plan 2004-2005 – ODPM – June 2004

http://www.odpm.gov.uk/stellent/groups/odpm_about/documents/page/odpm_about_029351.pdf

Sets out what the ODPM intends to achieve in the current year and the resources available. The aim is to achieve sustainable communities – places where people want to live – that promote opportunity and a better quality of life for all.

An End to End Review of the Housing Corporation - ODPM – June 2004

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_029520.pdf

A report of the recommendations arising from the end to end review of the Housing Corporation, announced in Parliament on 16 September 2003, concluded in June 2004. Includes an action plan for the key players involved in delivering affordable housing. The review considered the Housing Corporation should focus more on the efficiency of housing associations and that it should use both its regulation and investment roles to promote greater efficiency in the delivery of new construction and the management of the existing stock. Also needed was a much clearer working with regional bodies in planning for affordable housing and clarity of roles between the various players.

Validation of the Performance Reporting Systems of Housing Associations: Draft Framework and Guidance – Housing Corporation – 24/05/04

<http://www.housingcorplibrary.org.uk/housingcorp.nsf/AllDocuments/B02085DE7BD9D60880256EA0003A75CB>

The document explains why the Housing Corporation has introduced this new regulatory requirement, the need for external validation of performance systems in addition to setting out the overall framework and the operational guidance.

Performance Data Collection: Good Practice Guide – Housing Corporation – 28/08/03

<http://www.housemark.co.uk/hmkb2.nsf/0/AFE256842D814BF780256D96004518ED?opendocument>

This good practice guide provides associations with advice on how to develop effective performance information systems. It was researched and written by HouseMark for the Housing Corporation under its Innovation and Good Practice Grant programme. The guide is based on interviews and discussions with a wide range of participants from the Housing Corporation and housing associations.

CPA 2005 - the New Approach - Audit Commission - 13/05/2004

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=PRESS-CENTRE&ProdID=4E4FE2C4-BA37-4974-AF00-D7758489C896&fromPRESS=NATIONAL-REPORT>

This document outlines the main responses to the CPA 2005 - The Way Ahead consultation and sets out the Commission's approach to CPA from 2005 in light of those responses.

Strategic Plan 2004-07 - Audit Commission - 19/04/2004

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=PRESS-CENTRE&ProdID=A4FB85C8-CB73-42e1-9608-71ED60424BAB&fromPress=NATIONAL-REPORT>

The Strategic Plan 2004 - 2007 sets out how, over the next three years, the Audit Commission propose to improve public services and by doing so to help to improve people's lives. Developed in consultation with a wide range of stakeholders, the Plan describes how the Audit Commission will target their resources to focus where they are most needed and can have most impact

External validation of performance reporting systems of housing associations: Framework and Guidance – Housing Corporation – 25/08/04

<http://www.housingcorplibrary.org.uk/HousingCorp.nsf/AllDocuments/E5AD374CE3A2D06880256EFB00325BC7>

Provides information on the principles for meeting the validation regulatory requirement by describing the overall framework and operational guidance. Circular:

<http://www.housingcorplibrary.org.uk/HousingCorp.nsf/AllDocuments/C5D6D268F39B25A580256EFB003193F7>

A Framework for the Review of Housing Inspection and Assessment – Audit Commission - December 2003.

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=english^1628&ProdID=53EE357D-187E-4183-918A-E9D415776ECB>

Consultation document on Audit Commission's proposed new approach to inspection and assessment. Applies to England only.

Estimation of need to spend on maintenance & management in LA housing stock – ODPM

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_608670.hcsp

The purpose of this project was to improve the Departments estimates of the need to spend on maintenance and management of the local authority housing stock. The Building Research Establishment (BRE) were commissioned to provide the DTLR with a framework that they can use to estimate the annual amount that should be allowed by the Government for the maintenance and management of the local authority housing stock in England. This study is useful in terms of identifying cost drivers in the maintenance and management of local authority housing. It serves as an interesting counterpoint to cost drivers identified in the Indepen operating cost index model.

4. Websites

HouseMark

<http://www.housemark.co.uk/>

HouseMark is the leading performance improvement service for the housing sector and well placed to help organisations meet the challenge of the government's efficiency agenda. Services include:

- benchmarking tools and analysis
- good practice advice and information
- latest news on what's happening in the housing sector
- consultancy and peer review services
- regional performance improvement clubs
- performance improvement seminars

Procurement for Housing (PfH)

<http://www.procurementforhousing.co.uk/>

Hot on the heels of the Government's drive to reduce the costs of administering public services and shift resources to the front-line, HouseMark has been instrumental in establishing a collective procurement initiative for the social housing sector. A new national service, Procurement for Housing (PfH), was launched 31 March 2004 by National Housing Federation, Chartered Institute of Housing and HouseMark following a successful two-year pilot.

PfH key facts:

- pilot involved 35 social housing organisations:
 - proved that by buying collectively, organisations could gain discounts of up to 75 per cent
 - participants also secured service improvements from suppliers on a range of commodities including energy, office supplies and telecommunications
- membership is open to housing associations, ALMOs and local authority housing departments
- free membership for HouseMark's 420+ subscribers
- already has 60 member organisations - and growing
- PfH is working with Fusion 21 - the ground breaking Merseyside housing association procurement initiative - to:
 - share the procurement intelligence generated by F21 with the housing sector
 - help other interested groups of housing organisations form local procurement consortia

Current procurement deals available to housing organisations from PfH:

- available now - land line telephony, office supplies, print management and energy
- coming shortly - comprehensive telecoms, IT, vehicle leasing, insurance
- working with Fusion 21 - kitchens, bathrooms, central heating

Operating Cost Index

<http://www.housingpis.co.uk/?contentid=Operatingcostindex>

Housing Corporation briefing note, index results for 2004 and ready reckoner.

Housing Efficiency Innovations Project - Management and Maintenance

<http://www.audit-commission.gov.uk/housingefficiency/>

To help the housing sector achieve efficiency gains the ODPM are working with the Audit Commission's Housing Inspectorate to identify efficiencies within the management and maintenance practices of Local Authorities and Housing Associations. The work, which commenced in late January, will run through until October. The interim arrangement is to share positive practice via a website portal and later through the production of efficiency packs.

The Office of Government Commerce

<http://www.ogc.gov.uk>

OGC works with government to improve procurement and project/programme management. They also work with suppliers to make the government marketplace more efficient and attractive to business.

Invest to Save Budget (ISB)

<http://www.isb.gov.uk/>

The Invest to Save Budget (ISB) is a joint Treasury/Cabinet Office initiative with an aim to create sustainable improvements in the capacity to deliver public services in a more joined up manner. A key principle of the ISB programme is that investment is provided in return for reform. Website includes case studies.

We need your feedback. Please let us know how we can improve this briefing. Contact Steve Smedley:
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