



## Efficiency Plan 2009-11

### Introduction

This Plan supports Bridging NewcastleGateshead in demonstrating that it is delivering an efficient and effective programme.

Efficiency makes an essential contribution to BNG’s arrangements for value for money and use of resources, to continuous improvement and best value and in the successful delivery of its overall objective to create great places to live.

This Plan provides information on BNG’s approach to the efficiency agenda and sets out objectives for delivering value for money across the partnership.

### Aim

The aim of the Annual Efficiency Plan is:

**“To maximise efficiency, to release resources to target BNG priorities and to deliver high quality cost effective services.”**

### Embedding Efficiency

Efficiency is part of the day to day operation of BNG and should be embedded throughout its processes. This is demonstrated diagrammatically by the Efficiency and Effectiveness Model.

### Efficiency Programme

We are developing plans to deliver cumulative efficiency savings of £8.506m over the next two years, including a real reduction in programme management and monitoring costs of £1.262m. In order to accommodate expected cost pressures, and at the same time deliver improvements in delivery, all resources released by this work will be reallocated to intervention schemes.

Specifically the plan:

- provides an account of the measures required to realise these savings;
- identifies further areas to be reviewed to determine additional efficiency targets;
- gives details of enhancements to efficient operation that will not produce cashable savings;
- sets out the timetable for their implementation; and
- sets out the arrangements for monitoring the implementation and delivery of savings over the Budget period.

### Efficiency Target Summary

	<b>2009-10 £000s</b>	<b>2010-11 £000s</b>	<b>TOTAL £000s</b>
<b>Efficiencies brought forward and embedded in programme</b>	<b>2,012</b>	<b>2,035</b>	<b>4,047</b>
<b>Efficiency targets identified and embedded in programme</b>	<b>147</b>	<b>128</b>	<b>275</b>
<b>Efficiency targets identified to be removed from programme when achieved</b>	<b>2,193</b>	<b>1,991</b>	<b>4,184</b>
<b>Total Efficiency targets</b>	<b>4,352</b>	<b>4,154</b>	<b>8,506</b>
<b>% of Growth and Renewal Programme</b>	<b>12.83%</b>	<b>13.55%</b>	<b>13.17%</b>

The efficiency gains identified can be further classified as:

	<b>2009-10 £000s</b>	<b>2010-11 £000s</b>	<b>TOTAL £000s</b>
<b>Cost Reductions</b>	<b>2,832</b>	<b>3,228</b>	<b>6,060</b>
<b>Cost Avoidance</b>	<b>1,426</b>	<b>523</b>	<b>1,949</b>
<b>Productivity Improvements</b>	<b>94</b>	<b>403</b>	<b>497</b>
<b>Total Efficiency Targets</b>	<b>4,352</b>	<b>4,154</b>	<b>8,506</b>

- Cost reductions relate to efficiency gains made by delivering services at a reduced price i.e. the same or greater results for less money e.g. capping staffing budgets.
- Cost avoidance relates to action taken by BNG that means that expenditure does not have to be incurred e.g. independent assessment of gap funded developments.
- Productivity improvements relate to greater performance being delivered at no increase in expenditure e.g. numbers of property improvements managed.

### **Efficiency Achievements**

Actions taken by BNG in previous years have led to the following efficiency gains to be achieved in 2009-10 and 2010-11 as compared to the 2007-08 base budget, where applicable.

All efficiency gains identified have been reflected in the programme.

	<b>2007-08 Baseline Budget</b>	<b>2009-10 Efficiency Gain</b>	<b>2010-11 Efficiency Gain</b>	<b>Total 2009-11 Efficiency Gains</b>	<b>Explanation of Efficiency Gain and Impact Analysis</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	
Cap on staffing budgets	4,449	432	501	933	For 2009-2011 the staffing budgets for BNG Core Team, NCC and GC have been capped at the 2007-08 level. This means that no inflation has been added giving the savings illustrated in the table. The Partnership Agreement details the services to be provided by all partners. The reduction is calculated using the GDP deflator rather than a notional interest rate.
Neighbourhood Management	1,512	1,035	1,292	2,327	The budgets for Neighbourhood management have been mainstreamed or are being tapered. The service continues to be provided by the local authorities and partners.
General Consultancy	50	52	52	104	In the past BNG used consultants for general advice and they attended the Board, sub groups, working groups etc. This cost £50k per annum. The Core Team and Partnerships now have developed such that this type of consultancy is no longer required saving £50k per annum.
Newcastle Relocation Team	68	70	71	141	In previous years the Relocation Team in Newcastle was funded by a Service Level Agreement costing £68k per annum. The service has now been taken into YHN core functions and they now provide an improved service at no direct cost to BNG

Value Engineering Riverside Dene	N/A	423	119	542	By close working with Private Sector Partners and cost consultants the costs for the scheme at Riverside Dene have been reduced through value engineering with no detriment to the final scheme.
<b>Total</b>	<b>6,079</b>	<b>2,012</b>	<b>2,035</b>	<b>4,047</b>	

### Efficiency Plan 2009-10 and 2010-11

Additional cashable and non cashable efficiency targets in 2009-10 and 2010-11 are as follows:

**1. Efficiency Champion:** The BNG Board, in March 2009, established a Board Member to act as ‘Efficiency Champion’ to work more closely with officers in determining and delivering efficiency gains. It is anticipated that this person will bring significant experience from both public and private sectors to enable a constructive challenge to take place on issues concerning performance, efficiency and risk management. This appointment will not lead directly to any cashable efficiency gains but should lead to an overall improvement in performance.

**2. Efficiency Working Group:** A working group has been established to review the implementation of the Efficiency Plan. This will consist of relevant officers from the BNG Core Team and partner authorities. The Efficiency Champion acts as chair of the meeting.

**3. One to One Meetings:** In order to maximise the efficiency gains to be achieved through the programme individual meetings have taken place with all project officers and the following efficiencies have been identified:

Project	Efficiency identified	Efficiency gain identified		TOTAL GAIN	Baseline	Monitoring
		2009-10	2010-11	TOTAL		
		£000s	£000s	£000s		
Inner West Refurbishments	Increased delivery of outputs due to tender prices achieved.	62	260	322	Project Submission	Project monitoring reports
High Cross Refurbishments	Increased delivery of outputs due to tender prices achieved.	0	835	835	Project Submission	Project monitoring reports
Hibernia Village Phase 2	Independent review of gap funding request	428	260	688	Original development appraisal	Revised development appraisal
Scotswood Site Preparation	Negotiated reductions against OGC fee rates	155	0	155	OGC Tender prices	Project monitoring reports
Loadman Street:	Tender price against original estimated price	227	0	227	Project Estimates	Project monitoring reports
	Running 2 contracts as 1 e.g. commercial and residential	165	0	165	Project Estimates	Project monitoring reports
	Carrying out SI in advance of work - net saving.	228	0	228	Project Estimates	Project monitoring reports
Scotswood Land Assembly	Negotiated reductions in price	213	TBC	213	Project Submission	Project monitoring reports
Gateshead JV Fees	Close management of consultants	34	16	50	Project Estimates	Project monitoring reports
Gateshead Land Assembly	Negotiated reductions in price and improvements in boarding up void properties	427	TBC	427	Project Submission	Project monitoring reports
Gateshead Property Improvements	Change in tendering strategy - contractor	150	68	218	Tender Price Comparison	Project monitoring reports

	Change in tendering strategy - consultants	8	149	157	Tender Price Comparison	Project monitoring reports
	Productivity Improvements - Gateshead Staff Team (Non Cashable)	94	404	498	2007-08 budget - increased outputs	Budget monitor reports
<b>Efficiency Targets Identified</b>		<b>2,193</b>	<b>1,991</b>	<b>4,184</b>		

**4. Combined management renewal and growth:** BNG manage both the renewal and growth fund programmes as one with no increase in resources. There are significant synergies within the two programmes therefore a single performance management framework makes good business sense in terms of efficient and effective management. The growth fund programme is similar in scale and complexity to an Area Based Programme such as those previously delivered through the Single Regeneration Budget for example. Programmes of this nature typically allow 5-10% of the budget for management and administration. The efficiency gain is based on 7.5% of the growth budget for the year i.e. £1.967k at 7.5% gives **£147k** in 2009-10 and £1.712m in 2010-11 gives **£128k**.

**5. Resources review:** Bridging NewcastleGateshead (BNG) has commissioned a review to assess the current capacity and allocation of revenue resources across the core team and partners in terms of programme management and project delivery in relation to the Renewal and Growth programmes.

The review is due to be completed in early 2010. No cash targets have currently been allocated to this review.

It is anticipated that the results, when implemented, will lead to significant improvements in efficiency with regard to programme delivery.

**6. Joint procurement growth projects:** wherever possible the strategic infrastructure studies required to deliver the growth programme will be jointly procured.

By doing this savings will be made by reducing the number of tendering processes to be undertaken. The budgets for the studies have been determined on the basis of being jointly procured therefore no additional efficiency targets will be set. Results of the tendering exercises will be assessed against the project budgets and any savings will be redirected as appropriate.

**6. Private sector renewal:** Both Newcastle and Gateshead Councils deliver private sector renewal programmes involving large scale improvements in regeneration areas. Efficiency targets relating to tender prices have been set as detailed above. However, further efficiency gains may be possible to achieve by reviewing the methodology carried out by each authority and benchmarking unit costs, professional fees, contract periods etc. This work will be carried out by the Efficiency Working Group.

**7. Practical Affordable Housing Solutions:** Research into innovative products to help restart stalled housing developments has been undertaken and three potential products have been identified:

- Cash deposit assistance;
- Shared equity, and
- Rent to Purchase

The products have been modelled and market tested with developers and lenders and will be implemented on a number of developments within the BNG area.

The research and associated modelling will not deliver cashable efficiency gains but the implementation of the findings will lead to innovative solutions to helping restart the housing market where it has stalled due to current market conditions. In terms of output delivery this will be a non cashable gain.

**8: Void management:** maintaining void properties prior to demolition is more expensive than managing the land after the houses have been cleared prior to new developments taking place. This area is being reviewed to ensure that void management is being carried out as effectively as it can be. The review is due to complete by the end of January 2010 and any efficiency gains identified will be added to the efficiency targets at that stage.

**9. Gap funding independent review:** Any project that requires ‘gap funding’ to deliver new build outputs will be subjected to an independent review to determine the land value and the appropriateness of the assumptions and calculations used in the development appraisal. In previous years this has reduced the cost to BNG of new build schemes by around 10%. The appointment of the independent assessor is made utilising the framework agreement for professional services determined by Newcastle City Council therefore removing the requirement to go through a separate tendering process. During 2009-11 **£688k** has been identified for Hibernia Village Phase 2. This is included in the table above.

**10. Transformation Programme:** It is anticipated that the Corporate Procurement Workstream of the Transformation Programme in Newcastle City Council will lead to further efficiency gains but no targets have been set for this activity.

**11. Recycled capital grant:** where BNG works with RSLs to deliver interventions leading to homes for sale there will be an element of recycled capital grant available for reinvestment. BNG will work with the RSL to ensure that the recycled capital grant is used to maximum benefit in delivering the place making agenda. This will deliver a non cashable efficiency gain in terms of holistic regeneration. No specific targets will be set.

**12. Real time information system:** In an attempt to improve the quality and timeliness of performance monitoring data, and therefore the efficiency of the partnership, the feasibility of determining a ‘real time information system’ is to be examined. This is to be considered as part of the Resources Review highlighted in 5 above. No cashable targets will be set for this work.

**13. Performance management system:** The BNG Performance Management Framework has been enhanced to ensure that efficiency gains are identified and quantified. Efficiencies will be identified in the first instance through the project appraisal system and monitored through the revised monitoring procedures.

Any trends in delivering efficiency gains will be determined and used to forecast additional targets in future years.

**14. Training:** all project officers have received training on the rationale behind efficiency planning and where it is anticipated that efficiency gains can be made. Officers will be encouraged to identify further efficiency gains which will then be redirected to strategic priorities within the BNG/Growth area.

**15. Regional Activities:** The North East Improvement and Efficiency Partnership (NIEP) is a politically led partnership of local authorities working together at a regional and sub-regional level on shared improvement and efficiency priorities led by ANEC. There are 11 programmes managed by NIEP of which two could be of particular relevance to BNG:

- Collaborative Procurement - The Programme aims to enable 'transformational procurement' to support delivery of the very highest standard of public services. It will support authorities in delivering efficiency, quality, innovation and excellence to service users, contributing to the economic, social and environmental prosperity of the North East
- Construction and Asset Management - By working in collaboration with local authorities, the Programme aspires to develop effective contracting and asset management processes around local government 'Built Environment' activity. The aim is to release significant cashable efficiencies and to optimise sustainability and well-being benefits for residents and communities.

BNG and partners are working with NIEP to ensure any recommendations brought forward can apply to our programme. Any efficiency targets will be developed in due course.

**16. Operational Efficiency Programme:** In April 2009 HM Treasury published the final report on the Operational Efficiency Programme. The applicability to BNG of recommendations around accountability and performance management, back office operations, collaborative procurement and local incentives and empowerment will be reviewed and implemented as required. The Resources Review outlined at Item 4 above will pick up a number of these issues as will the EWG.

**17. Roots review:** The impact of the implementation of any recommendations that flow from the Roots Review (Review of arrangements for efficiencies from smarter procurement in local government) will also be considered but no further targets have been determined for this. One of the key recommendations involves close working with the RIEP. This is being undertaken through the EWG.