

# CRUDEN

GROUP



## Best Contract

The best managed external contract for maintenance

Harvest Housing Group is a group of housing associations operating in the North West and West Midlands. Responsive to our customers needs and focused upon our vision.

Turning homes and neighbourhoods  
into places where people  
want to live and choose to stay



# Introduction

Harvest owns and manages 18,000 affordable homes and we work with customers and partners to provide a range of housing, community and regeneration services, across the North West and West Midlands.



We know from feedback how important it is that customers receive a quality repairs and maintenance service. In 2005 the Group began a strategic review of the services being offered to 10,000 customers in M&D and Frontis (two of the Group's subsidiary members) with the aim of developing a new and improved service offering.

At the time M&D and Frontis had several contractors delivering the service under traditional 'day works' arrangements, the offer was basic, inconsistent across areas, had limited customer input, limited control on costs and budgets, and service improvement was not embedded in a way that delivered high quality outcomes for customers.

The aim of the review was to ensure that new arrangements would provide a quality service and new benefits in order to meet the needs and expectations of our customers, whilst also delivering cost certainty for the Group. Customer involvement in the design, procurement, implementation and monitoring of the new service was integral to achieving success. Customers also agreed that long term strategic partnering was the preferred route for delivery.

In November 2007, following an OJEU competitive dialogue tendering process, M&D and Frontis entered into a 7-year partnership with Cruden Property Services (CPS) to provide the repairs and voids service, and PH Jones to provide the gas servicing and breakdown repairs service, and our partnering

relationship was born. The work for the partnership has a value of £6.6m per annum, £46.2m in total.

## Partnership Objectives

At the outset of the mobilisation period we held a workshop with CPS, PH Jones, our staff and customers in order to develop a partnering charter. **Our aim was**

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to create a successful partnership by working together for the benefit of our customers, making sure we deliver what we promise and stay focused on our goals.”

Customer and business objectives were also agreed to provide clarity and direction for everyone involved:

## Customer Objectives

- To receive a service that delivers high levels of customer satisfaction
- To implement a system offering appointments at the first point of contact
- To improve and extend access to the service, including appointments between 8am-8pm Monday to Friday and 9am-1pm on Saturday mornings

- To continue with a 24 hours (out of hours) provision, 365 days a year
- To have a high number of repairs diagnosed right first time and completed at the first visit
- To provide a service that is tailored to meet the needs of vulnerable customers
- To involve customers in the design and monitoring of the service

## Business Objectives

- To achieve national top quartile performance in the sector
- To embed service improvement as a key feature of the service

- To achieve a minimum of two stars and excellent prospects from our regulator in our next inspection
- To manage risk and reward by comparing the actual cost of the work undertaken to the target price, and thus share any savings or cost overrun on the target price
- To link the performance of the partner to the payment mechanism, thus driving the right behaviours and deliver a VFM service
- To jointly employ staff and operatives providing the service with our new partners
- To implement a partnering arrangement that is recognised as exemplar in the sector



# Partnering – what made us successful?

'Partnering' is often used to describe a relationship between client, customers and contractors, but its principles are rarely executed effectively.

This can lead to adversarial relationships and a failure to deliver excellent customer satisfaction, high levels of performance, value for money and cost certainty.

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We believe that our partnership with CPS and PH Jones has demonstrable evidence of partnering principles that now deliver consistently high levels of customer satisfaction and performance, and value for money. We also achieve 'cost certainty' on an annual basis, and this is often so difficult to do in a responsive maintenance environment.

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Technical ability and competence are important ingredients to delivering excellent service. However, we believe our people and relationships are what make us successful; customers, client and contractors working

collaboratively to deliver excellent services, and taking a pro-active approach to resolving problems that are inevitable in a reactive service provision. We believe we are working with the best two contractors in the sector and have a partnership that has high levels of constructive challenge, whether on performance, cost issues or planning and reporting, which we deal with in real time. Our joint leadership team demands that action is taken and change is made when necessary, and this brings about continuous improvement in the service we deliver to our customers, and is a key ingredient for long-term success.

We demonstrate our commitment to this through our unique joint employment initiative. We jointly employ 100 staff with CPS and PH Jones, as we believe it is essential that these staff identify themselves with Harvest and are led by our vision and driven by our values in order to deliver the best possible customer experience.

We understand this to be a unique arrangement in the social housing sector and we are seeking approval from HMRC for a VAT exemption on the jointly employed staff labour costs. If successful, this could be a model that others may wish to replicate.

We share the risks and rewards with CPS and PH Jones through the use of an innovative payment mechanism and balanced scorecard, and our success is based on having a clear framework in which to operate, which everyone involved in the partnership understands.

This includes:

- The formal TPC 2005 ACA standard form of contract for term partnering
- The 'term brief', which sets out the objectives for the partnership, how the services are to be delivered to customers and to what standard
- An annual best and final offer that effectively sets the target price for the work to be delivered in the following year

- The payment protocol, which is used on a monthly basis to compare CPS and PH Jones' actual costs and core profit for carrying out the work, against the target price for the work. Harvest then shares any savings or overspends up to the guaranteed maximum price with CPS and PH Jones
- The Balance Scorecard has four performance dimensions (24 KPI's) – costs and target price, customer satisfaction, innovation and learning, and internal business processes. The customer satisfaction dimension carries the largest weighting on the scorecard (40 out of 100 points). CPS and PH Jones receive performance related payments or deductions based on their score
- The joint employment management agreement that sets the framework for managing the joint employment initiative



# Our lessons learned in partnering

The strength of our partnership with CPS and PH Jones has been our willingness to learn and change when we have needed to.

We acknowledge that our partnership was not without problems in the early days. We had several problems to resolve and this tested our partnership to the full. It is fair to say that we made some mistakes that can result in partnerships failing, but the strength of our leadership, people and relationship with CPS and PH Jones enabled us to learn from these mistakes and deliver long-term success. They included:

- Being 'consultant led' and not 'client intelligent' through procurement and design
- Implementing a term brief that was very prescriptive and inflexible
- The partnering arrangements set out were complex
- The contract and framework was not sufficiently understood
- Roles and responsibilities were not clear
- The lead in time to mobilise the new service was not sufficient (3 months)
- Not all systems and processes were fully tested and in place at go live
- We were over ambitious with innovation at the start
- We promised too much too soon for our customers

- We under estimated the competencies required and the scale of the change we were implementing
- Our original assumptions to arrive at a 'target price' for year 1 were under-stated

These issues led to performance suffering, customers were dissatisfied, and costs were over-running. It proved to be a very testing period and we questioned whether or not we could turn things around. However, once the doubts were erased we focused on developing our model for success, and then went about delivering it.

By May 2008 we likened our partnership to that of a marriage – there had to be something between us, our intentions were long-term, we had to be compatible but also realistic, tough times were inevitable and will happen, and counseling and help from the outside may be required from time to time!

“ We decided we had a partnership worth working at, and CPS and PH Jones became an extension of the Harvest family

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**Lee Woods – Director of Property Services, Harvest Housing Group**



# Our model for successful partnering

We appointed an independent consultant (Tribal) to come in and review the progress of the partnership after six months, and whilst a lot of what they told us was what we already knew, it gave us a fresh perspective, a plan of action, and re-assured us to drive on and build confidence.

We took the action plan and worked with CPS, PH Jones and our customers, to develop our model for success, focusing on 5 key areas:

- Leadership
- Capability and competence
- Systems and processes
- Structure
- The framework

## Leadership

We recognised that CPS and PH Jones were organisations with different styles of leadership and culture to that of Harvest, and therefore it was essential that we established commitment at the top and a system of joint leadership and shared culture.

At Strategic Core Group level we developed a clear understanding of all the issues, in order to be able to disseminate this with clarity and empower others to assist in bringing about the necessary changes.

Respect was there from day one, but real trust began to develop on the back of real results, so it was imperative that clear targets were set and progress made towards achieving these targets.

## Capability and competence

We recognised that people and relationships were key, even more so when we considered how many people were involved in the partnership. It was necessary to assess our collective competency levels and knowledge to establish where the gaps were. Major changes in key personnel were necessary and although this was extremely difficult at the time, we are now reaping the rewards for tackling this crucial issue.

Developing the right behaviour and mindset of those working on the partnership was another key issue and lots of clarity and communication was necessary to win the hearts and minds of those people who could make the difference.

Training and development of the workforce was another key factor and Harvest, CPS and PH Jones have undertaken regular training and development together, to build the competence and capability of our workforce over time.

Understanding our respective drivers was another key factor to address. Harvest is motivated by performance, customer satisfaction and cost, as are our partners.

However, they also need to make a fair profit on the partnership, and it was important we accepted this principle.

## System and processes

The lead in time from appointing CPS and PH Jones to going live with the new service was only 3 months. This resulted in some systems and processes not being in place, or others being in place with little time for testing. We realised early on that we needed to work on our systems and processes – and this involved re-planning the implementation of key systems like our appointments system. We used the ‘plan, test and implement’ method, but took the time we needed to get things right, even though this resulted in having unsatisfactory interim arrangements in place for periods of time.

We worked tirelessly with CPS and PH Jones on our ICT interfaces to maximise the benefits we could get from this, and we also developed our data management and performance reporting.

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The devil is very much in the detail on a response maintenance partnering contract, and therefore we recognised the need to work on this detail.  
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# Our model for successful partnering

## Structure

“Customers are integral in monitoring the performance of the service and do this in a very hands on way. We have found that this has led to high quality outcomes for customers”



We established groups to oversee progress and performance. These groups consist of Harvest staff, jointly employed staff, CPS and PH Jones and customer representatives from many of our neighbourhoods.

The groups are known as:

- Strategic core group
- Operations groups
- Financial reconciliation group
- Customer panel

The core group focuses on strategic issues and the development of the partnership, while the operations groups are locally based and have a clear focus on scrutinising performance. In addition there is a customer panel that meets regularly to ensure that the partnership continues to be innovative.

The financial reconciliation group meets every month to review the actual cost and core profit for delivering the service, in comparison to the target price of the work undertaken, and considers this alongside the partner's performance on the balance scorecard prior to reconciling the actual payment that will be made.

## The framework

We had been 'consultant led' through the design and procurement process, and as a result a very innovative and ambitious approach for the delivery of the service was designed. In practice we soon realised that it was complex and difficult to understand. We had never done joint employment before, we had never operated an extended hours offering, we had never worked in an open book risk sharing way, and some of the measures on the balance scorecard were difficult to understand or measure in a meaningful way.

There was a sense that we had to comply with the framework as laid out in all the documentation, but we agreed that as this was our partnership, we should change or simplify things as the framework wasn't delivering the outcomes expected.

We simplified a number of key areas, including:

- Elements of the term brief

- The payment mechanism – we re-wrote the document into plain English so this was easier to understand, and developed working examples to use for training purposes
- The balance scorecard – we replaced some of the original measures with others following a review of our performance against national top quartile indicators, by HQN
- The void process, as detailed below

## Voids

At the start of the partnership voids were managed based on 'value bands' delivered within agreed time frames, which is a common method deployed across the industry. What we found in practice was that this didn't really work for us as a team, with time in maintenance around 20 days, properties coming back late and a backlog of 'low priority voids' starting to build-up. This was bad for the business, the customer and partnership morale. In order to address this problem we got together to review what was going wrong and agreed what we needed to do to put things right. The issues were:

- Poor communication between the teams
- Lack of understanding of each other's responsibilities
- Little real ownership and accountability at an operational level
- Poor visibility of performance data
- Insufficient planning and management of the process across the teams

- A focus on meeting the targets in respect of the 'value bands' and 'timescales for completion'

What we did was:

- Changed the performance measurement from 'value bands' to 'average days'
- Put in place a simple method for recording the void process from 'end to end'
- Created a simple planning tool for all voids across the whole partnership
- Made sure that all the performance data was collected in real time and shared at least weekly
- Clearly defined the roles and responsibilities for both teams
- Made the front line teams accountable for performance, and gave them ownership of the process
- Made sure that everything was as visible as possible to everyone in the process (from front line to senior management)

The most important aspect of this process was to commit time to ensure that the teams were very clear about how the process should work, that they received all the support and training they needed to deliver it successfully, and that the process was managed effectively, every day.

**We set a challenging but achievable target of 16 days for 2009-10, and 12 days for 2010-11.**

**The teams are currently achieving 6 days in maintenance and continue to improve and develop the way they deliver the service.**

# Where are we now, three years on?

We believe with CPS and PH Jones that we now have a very strong partnership with the right capability and competence to deliver. We have a framework that is understood, embedded and operating very effectively. We have cost certainty, can demonstrate VFM, and service improvement is embedded and well evidenced. Most importantly however, is that the partnership is delivering excellence and national top quartile performance in a number of key customer satisfaction areas:

- Repairs and voids completed on time – 95%+
- Number of appointments made and kept – 95%+
- Repairs and voids quality inspections – 98%+
- Void turnaround times - 6 days in maintenance
- Number of repairs completed on first visit – 85%+
- Customer satisfaction with the completed repair – 98%+
- Gas compliance - 99.9% to 100%

We have also received external recognition:

- CCA Excellence Award 2008 – Innovation in Employee Development
- UKHA Finalist 2008 – ‘Best customer driven services’
- Audit Commission inspection 2009 – 2 stars and excellent prospects (cited best practice)
- Sunday Times Top 100 Best Companies 2009 – Harvest 82, CPS 50

**So, what are the other benefits to our customers?**

**Lee Woods (Director of Property Services) said:**

“Our customers have been integral in helping us shape and provide a service offering, which we believe is second to none. Those involved understand exactly how much hard work, dedication and effort has gone into achieving what we have, and they are advocates of the partnership being delivered with CPS and PH Jones.

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Other benefits our customers enjoy include:

- Customer satisfaction ratings which are consistently high
- Customers are familiar with CPS and PH Jones and the workforce delivering the service
- An integrated appointments system delivering appointments 8am-8pm Monday to Friday, and 9am-1pm on Saturdays. This is supported with a 24 hours ‘out of hours’ provision 365 days a year
- Appointments made at first point of contact and reminders sent via text messages, emails, letters, phone calls, etc. – whatever methods best suits the needs of our customers
- We have an integrated contact center where customers can be transferred to CPS and PH Jones as part of the same call enquiry
- A strong emphasis on repairs being completed at the first visit, with first time fix rates consistently above 85%. This is achieved as many of our operatives are multi-skilled, with appropriate van stocks, and can therefore complete a high number of repairs at the first visit
- Dedicated customer liaison officers to assist our vulnerable customers
- A dedicated ‘man in van’ service for our sheltered schemes which has been acknowledged as best practice by the Audit Commission
- Both partners contribute significantly to community and neighbourhood initiatives and our customers really value this



# What are the benefits to the client?



Lee Woods said:

“ Nothing gives me more pleasure than to achieve what many see as the holy grail in a responsive maintenance environment, and that is, high levels of customer satisfaction, service excellence, and perhaps the most difficult challenge – that of achieving VFM and cost certainty – and we are doing all three.

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The benefits to our Group can be summarised as follows:

- We provide a consistent service to all customers in M&D and Frontis, irrespective of where they live
- We achieve top quartile performance on many of our KPI's – as validated by an independent Housing Quality Network (HQN) review in May 2010
- We have an annual service improvement plan based on customer requirements and priorities, which is delivered each year
- We have a positive practice log and evidence library of good practice going back to the start of the partnership
- We achieved '2 stars and excellent prospects for improvement' when inspected by the Audit Commission in February 2009
- The Audit Commission described our arrangements as 'an exemplar of partnering'
- We deliver VFM with a close review of cost, performance and customer satisfaction on a monthly basis – as validated by our external VFM reviews in 2008 and 2009 (Pennington Choices)
- We operate a risk and reward sharing arrangement
- We employ 100 staff jointly with CPS and PH Jones and have a direct impact on the customer experience
- We regularly speak at conferences and events about our 'lessons learned in partnering' and therefore gain positive PR for the Group
- We recognise that delivering high quality repairs services to customers is very important in supporting the organisation's objective to grow – landlords don't get selected in new business bids if they have poor performance in this critical service area
- The length of the partnership (7 years) leads to sustainability and increases the opportunity for cost efficiency, innovation, service improvement, and allows our partners to be an extension of the Group





# What are the benefits to the partners and neighbourhoods?

## What are the benefits to the partners?

The benefits to our partners can be summarised as follows:

- The scale, scope and length of the partnership is extremely important as it provides sustainability on many levels – customer familiarity, turnover, profit, reputation, employment opportunities, apprenticeships, developing long-term partnerships, etc.
- Operating with a risk and reward arrangement results in a fair level of core profit for the partners
- Linking the balance scorecard to the payment mechanism drives customer satisfaction
- The partnership is about people and relationships and focusses on resolution, and a drive for service excellence – our partners really value this
- Having a successful partnership to showcase is crucial when pitching for new business
- The joint employment arrangement allows for greater resources being available for staff training and development

- The success of the partnership builds employer brand and sector reputation
- Harvest has supported the development of contract partners in sharing best business practice.

## What are the benefits to the neighbourhoods?

CPS and PH Jones have played an active role in supporting neighbourhood and community initiatives. They actively promote local employment initiatives and adopt structured schemes to further this commitment. They have a recruitment method statement, which outlines their approach on local employment and training. Amongst other things, the statement sets out details of their recruitment strategy, local employment and training initiatives and their apprenticeship schemes. They provide 'added value' and community support in many ways, with a few examples listed below:

- Through dedicated sheltered and supported operatives
- Providing apprenticeship and employment opportunities to our customers
- Supporting the development of our social enterprises

- Sponsors of the Group's staff conference
- Supporting tea and dance events at a number of schemes
- Provided benches for several schemes
- Donating Christmas trees to our sheltered schemes
- Tins of food collected and distributed to various schemes
- Britain in bloom - contributed flowers and plants
- Provide games and food for community events
- Undertake free PAT testing at community centers
- Sponsor fun and environmental days



# What were the financial costs and cashable benefits?

Achieving cost certainty in a responsive maintenance environment is a difficult challenge. The partnership has an allocated budget of approximately £6.6m per annum, but the challenge is to do more for the same cost, or the same for a lower cost.

The pricing mechanism for the partnership contains a target price and a guaranteed maximum price and this ensures cost certainty for the Group and its customers, as any risk on over-run on the guaranteed maximum price passes to the partner. The challenge for our partners is to ensure their cost for delivering the service is lower than the target price of the work carried out.

**In 2009-10 the partnership delivered £6.8m worth of target price work for an actual cost of £6.6m, thus delivering £200,000 extra value for our customers. In 2010-11, we have achieved £3.4m of target price work for an actual cost of £3.2m, delivering £200,000 extra value in the first six months to September 2010.**

The partnership operates with a payment mechanism that links to performance and therefore the partner can earn additional profit for performance excellence, or a payment deduction where performance is unsatisfactory.

The annual budget is subject to an agreed target price uplifted by RPIX but contains a minus 0.5% year on year reduction to contribute to cost and efficiency savings. This is built in throughout the 7 years of the partnership.

We have a pending application with HMRC for a VAT exemption on the jointly employed staff. If successful this application could result in savings of £1.4m to cover the 3 years of the partnership to date, and approximately £350,000 per annum going forward. This money can then be used to be invested back into our communities and neighbourhoods and benefit our customers further.

There are also a range of working practices that have resulted in value for money outcomes. These include:

- Pennington Choices have conducted 2 VFM reviews and site our partnership as an exemplar for open book partnering.
- Extended hours service has reduced the cost of 'out of hours' emergency repairs
- Text messaging – has significantly reduced the level of 'no access' calls and unproductive time
- Rechargeable repairs – these are dealt with at the first point of contact with customers and payments for works are taken 'upfront'
- Key safes on all void properties – has assisted in reducing void time with CPS and PH Jones from 20 days in 2008 to 6 days in 2010
- Variations – CPS and PH Jones operatives can vary work up to the value of £200 without Harvest's approval – this assists first time fix rates and enhances the customer service
- Dedicated operatives for our sheltered schemes means non-urgent works can be batched and delivered on the specified days agreed with customers

- Large numbers of the workforce are multi-skilled – this assists first time fix rates and enhances the customer service
- We have a clear process for batching high value non-urgent repairs for inclusion in minor planned programmes of work

## How relevant is this as an exemplar that might be followed by others?

The Group has two other subsidiary companies (Derwent & Solway Housing Association and Moorlands Housing) based in Cumbria and Staffordshire Moorlands. In April 2009 following consultation with customers and the Board we rolled out all the features of this service with our repairs and gas partners (PPM and AFM) in Cumbria.

We are currently rolling out these arrangements in Staffordshire Moorlands, where we have an in-house DLO providing the repairs and voids service. We are also commencing a formal OJEU process in January 2011 for a partner to deliver the gas servicing and breakdown service on the same offering as PH Jones provide for Frontis and M&D. Again customers have been integrally involved in reaching this decision, which will ultimately ensure that all 18,000 customers across the Group receive the same service offering, irrespective of where they live.

This has also resulted in close and collaborative working between CPS, PH Jones and our other partners across the Group and we regularly hold service improvement away days where ideas for improvement are shared, and changes are considered by all and implemented in a consistent fashion. HQN hosted and supported our last event to ensure

we fully debated service excellence examples from across the sector.

The Group has also been involved in presenting at HQN seminars sharing our experience with others, most notably in terms of 'lessons learned in partnering', 'delivering customer involvement' and in 'applying risk and reward' through our performance and payment mechanism.

We envisage that our joint employment initiative will be applied more widely in the sector if we are successful with our application for a VAT exemption.

We believe there is a lot of potential for developing improvements that can be rolled out across the maintenance industry using some or all aspects of the measures we have implemented. **For more details please contact Lee Woods on 0161 248 2338.**

