

Trailblazing partnership shows how to change maintenance

Client: Broomleigh Housing Association
Contractor: Geoffrey Osborne Limited

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Broomleigh Housing Association and contractor Geoffrey Osborne celebrated five years of continuous improvement as partners in November 2004. The contract covers responsive maintenance of 8,000 homes at Bromley in Kent. There's no clever accounting in how they transferred their administration budget to actual maintenance, spent less overall, and improved the quality of service and customer satisfaction.

Despite the partnership being set up before recognised best practice was documented, the way they went about this correlates remarkably with the guidelines in the Housing Forum's *Partnering Toolkit*.

Then and now

In 1998, Broomleigh was locked into term maintenance on an agreed schedule of rates. The system promoted overspending because it encouraged contractors to look for extras and discouraged thinking about economy. 23% of the maintenance budget went on



Partnering Pioneers: from left, Neil McCall (Broomleigh Housing Association), John Shortt (formerly Broomleigh, now Circle 33 Housing Association) and Matthew Sturmer (Geoffrey Osborne)

administration and 13% of jobs were late. Tenant surveys pointed to low quality of work, as contractors went for the 'quick fix'.

Five years on, the open-book partnership with Osborne is delivering at rates corresponding to the National Housing Federation schedule, but they are getting better quality and spending less on administration. Indeed over five years, they have transferred more than £2.5m from administration to actual maintenance. Today, 98% of jobs meet deadlines and more than 95% of residents are satisfied with the quality of work.

Lessons in partnering

- Traditional measured term contracts fail to promote innovation.
- Open-book accounting, performance measurement and financial incentives encourage the contractor to simultaneously improve quality while working more economically.
- Residents' confidence and satisfaction with work done increases when they deal directly with the contractor.
- Empowering the contractor to manage the work eliminates waste and confrontation.
- Investment in the workforce to promote cultural change is a prerequisite to earn the benefits of partnering.

Benefits of partnering over five years

- Although supervision costs are down, all key performance indicator percentage scores are in the upper 90s. Self-supervision by Osborne made this happen.
- The maintenance spend is down by about 8% on the same volume of maintenance work.
- The time to make an empty property (void) ready for a new tenant has halved from fifteen to seven days. This includes inspection, construction works, gas and asbestos checks and a thorough clean. Linking payment to void turnaround was the incentive.
- The rate of jobs finished on time is up 10 points to 98%. Better liaison with residents means most jobs can be completed at the arranged time, in one visit.
- Customers have a very positive attitude to maintenance crews and overall customer satisfaction scores exceed 95%.

Partnership profile

Short-listed for the Sunday Times 'top 100 companies to work for', **Broomleigh Housing Association** is a member of the Affinity Homes Group, with approximately 15,000 homes in South London and North Kent. Broomleigh was formed in 1992 after a ballot of London Borough of Bromley tenants and leaseholders. In January 2004 The Audit Commission's inspection report highlighted a number of 'positive' maintenance issues.

Broomleigh is a growing organisation with some 300 employees and it recently retained its Investor in People status. It is a partner developer with the Housing Corporation. Its financial credentials include an independent 'A' credit rating and there is a cost reduction strategy in place to further improve efficiency.

For Broomleigh, partnering with Osborne was a 'leap of faith' made before anyone else had tested partnering in maintenance work.

Founded in 1966 by the late Geoffrey Osborne, the privately owned **Osborne Group** now directly employs more than 800 people in construction and maintenance with an annual turnover exceeding £200 million.

To avoid the inefficiency and remoteness often found in larger rivals, Osborne has an interlinking network of teams, each with specialist skills and managers who answer directly to clients. This keeps them focused on innovation and continuous improvement.

Osborne's maintenance division grew out of a maintenance contract for Railtrack buildings. Today, the division's annual turnover is £30m of which £17m is in housing (£7m with Broomleigh) and £13m in rail buildings. The housing team provides a 24-hour, 365-day responsive maintenance service to about 30,000 properties. Osborne has pioneered partnering in the sector.

For Osborne, the responsive maintenance contract turns over about £3m annually, and involves some 25,000 jobs of average value £120. Planned maintenance is worth another £4m annually. The operations team of 47 comprises 4.5 Broomleigh and 42.5 Osborne employees, including 6 in the call centre.

Osborne's direct labour workforce carries out carpentry, plastering, painting and decorating, tiling and roofing. The company has agreements with local specialist suppliers for electrical, plumbing, double glazing and fencing.

Partnership milestones

1992	Broomleigh Housing Association was formed – a new team with fresh ideas.
September 1998	Osborne started responsive maintenance on 3000 properties, under a traditional schedule of rates contract.
May 1999	A six-month pilot of the new partnering arrangement commenced. The results were benchmarked against other traditional contracts to compare quality, satisfaction, service and cost.
November 1999	The pilot was declared a success and the new partnering contract was launched.
April 2000	Broomleigh extended Osborne's contract to cover 8000 properties over five years, with a £3m annual budget. Results continued to show significant improvements on previous contracts.
August 2000	Kitchen renewals were included in the contract.
April 2001	Broomleigh appointed a second responsive maintenance partner, Rydon, for the remaining 6000 properties. The contract operates on the same principles as that developed with Osborne.
September 2003	Osborne was selected as one of three partners for planned maintenance contracts, to run under the tried and tested Broomleigh/Osborne model. Osborne's total annual contract increased to £7m.
February 2004	The partnership expanded its role to provide services to other Registered Social Landlords (RSL).
November 2004	Celebration of five years in successful partnership. Key Performance Indicators, now in the high 90s, keep pressure on the team to maintain standards.

Other Broomleigh partnerships

Broomleigh has set up another responsive maintenance contract and three planned maintenance contracts, using the model developed with Osborne. Broomleigh also has a five-year gas maintenance contract which is moving towards the Osborne model, and they are now letting partnering contracts for new-build work.

Other Osborne partnerships

Osborne is partnering with several other RSLs to carry out responsive maintenance. Each of these contracts is based on a similar ethos to Broomleigh – delivering high tenant satisfaction and value for money – but each one is different because every client has their own priorities. Osborne shares best practice between these contracts and applies lessons from its experience with maintenance in other sectors.

How they did it

This step-by-step summary shows what Broomleigh and Osborne did to set up and run their partnership and keep it improving year on year. The partnership was probably the first of its type for the maintenance of public housing, and it pre-dates much of the research and results found in subsequent demonstration projects. Yet it fulfils most of what is today recommended as best practice.

GETTING STARTED

– the pre-conditions for successful partnering

The Housing Forum recommends the client...

- makes the business case
- integrates the client organisation – internal partnering
- overcomes resistance to change
- chooses a procurement strategy to realise the business objectives
- ensures probity, audit trails and accountability
- deals with regulatory controls.

Making the business case

Broomleigh's chief executive, Neil McCall, recalls their maintenance business in the 1990s: "We were a new team in '92 with new ideas. We inherited a large ex-council estate and we didn't even have an asset management plan."

Tenant surveys revealed that service to residents was simply not good enough. After a few years working with the old schedule of rates, Broomleigh realised the customer was 'stuck in the middle'. "The schedule actually mitigated against quality," says McCall. "Our maintenance spend did not seem to be good value, particularly as a quarter was spent on administration, mostly just keeping an eye on the contractors."

McCall admits it was tricky to convert into a business case. "The natural way was to tender, compare and choose. We saw the three biggest issues for change as *trust*, *openness* and *new ways of working*. We went out on a limb but were confident it was the right way to go."

Client integration

The modern textbook approach is to develop a truly collaborative culture within your own organisation before spreading the idea to outside contractors. Broomleigh did quite the opposite; but remember that in the late 1990s there was very little guidance on partnering – no partnering advisers, partnering workshops, charters or any of the best practice now taken for granted.

It was in fact Osborne who recommended partnering to Broomleigh, when they accepted a short-term maintenance contract. Once McCall decided to go with partnering, he was determined that they would prove it with the Osborne partnership, and then spread the idea across the whole organisation. To a large extent this has happened

because Broomleigh has extended partnering to its planned maintenance and capital works contracts.

Overcoming resistance to change

McCall found that middle managers, including people in central services roles, were the most cautious about the change. He held open meetings, explained the theory of partnering, fielded questions and gave straight answers. "People need to know that the management team and board are behind it. There should be no detection of any doubt," he says. In the short term, Broomleigh avoided redundancies by transfers, and within 12 months they got down to an acceptable head count by not replacing staff who left.

There was a particular impact on the IT team because, in order to get tenants closer to the solution, it was necessary to move the call centre (and IT development) to the contractor. Also, to help allay fears that accountability would be lacking, Broomleigh requested a flexible IT system that gave the partnership complete visibility of financial and operational performance. Working with their software supplier, COINS (Construction Industry Solutions), Osborne integrated helpdesk functions into their dependable financial systems. The system improved operational efficiency and tenant satisfaction and produced the KPI data to prove it. A key feature of the new system was ability to adapt to change.

Procurement strategy

"It was very important to explain that changing the measured term contract model was the fundamental issue," says McCall. In effect, partnering with Osborne became a test model which was nurtured by a partnering champion.

Probity, audit and accountability

One of the benefits of transferring housing from councils to housing associations is liberation from the standing orders, practices and financial constraints in local government. On the other hand, while the association enjoys greater commercial freedom than council housing departments, the Board of Directors must take full responsibility. McCall was careful to ensure that his colleagues understood that partnering would not be a cosy option, and that there would be a robust audit trail built into the processes.



Regulatory controls

Broomleigh Housing Association is regulated by the Housing Corporation, but the regulator tends to be more interested in new schemes than maintenance. Hence when this partnership was set up, the only risk in relation to the regulator would arise if the new approach failed. Nowadays, the Housing Corporation encourages other housing associations to do what Broomleigh has done. Broomleigh was really leading the industry here, including the regulator.

Broomleigh was not subject to the EU procurement rules at the time, but this changed from 10th September 2004.

WORKING AS A SUCCESSFUL TEAM

The Housing Forum recommends the client...

- takes the lead
- appoints a partnering champion
- selects the partnering team

and the partners...

- integrate the supply chain
- involve residents
- select the contract strategy
- build the team: define common aims and objectives
- assess and manage the risk
- focus on sustainability and whole-life value
- use performance incentives.

Collective leadership

As soon as McCall grasped the implications of what Osborne was suggesting, he backed the partnering idea completely. Osborne's Divisional Director Matthew Sturmer observes: "Management needs to say, 'Yes it will work, we will make it work'. That's what Broomleigh did."

McCall says: "The most important thing is to have commitment. We looked at construction projects at BAA, Marks & Spencer and Tesco, and we thought we must be able to apply what they're doing, or something similar on responsive maintenance. But it is so much easier to apply on a defined project. The big difference in maintenance is how deeply it affects the culture."

Partnering champion

Although the term 'partnering champion' was relatively unknown at the time, this is what Broomleigh had when John Shortt was in the driving seat. Shortt used his role as Head of Maintenance to cross the boundaries in the Broomleigh organisation and smooth the way whenever barriers appeared. Later, he was the official partnering champion when the Rydon partnership was established in 2002. Since Shortt moved to Circle 33 Housing Association (where his partnering skills are being put to good use) his role at Broomleigh has

passed to the 'core team' where there is now sufficient competence to fulfil this role collectively.

Shortt's departure and Osborne's recent change in account manager highlight how a stable partnership adapts easily to changes in key personnel.

Selecting the team

The way Broomleigh selected Osborne as its partner did not follow as rigorous a process as would be expected today. Osborne was building some new houses for Broomleigh when they were invited to tender for a new measured term maintenance contract. McCall recalls: "Their bid was not the lowest, but they stood out in terms of quality." Osborne said they were willing, but only on a partnering basis. This suited Broomleigh because they were looking for a contractor who had skills and knowledge of the business of maintenance and engineering, capability to develop IT systems, a 'can-do' attitude and an internal training programme.

McCall says: "We did not use consultants. There were very few around with any knowledge of maintenance work, so we decided to do it in-house with Osborne."

These were the main steps they took to set up the partnership:

- They had a trial period on schedule of rates to give principals time to work up the partnering arrangements.
- They gradually reduced the number of schedule of rates items until it was all done open-book.
- The process and assessment was written up and filed in case of audit.
- The partners did a risk assessment which was monitored throughout.
- There were regular reports to the Broomleigh board.
- The partners jointly drew up the contract and an independent auditor reviewed the partnering agreement.

Integrating the supply chain

The key features of the Osborne supply chain are:

- Osborne strives to develop long-term relationships with suppliers in those trades where they have no directly employed labour, for example plumbing, electrical and glazing firms.
- Osborne runs joint training for its direct labour workforce and contractors.
- The trade contractors co-operate by completing the paperwork on time.
- Trade contractors are paid promptly.
- Trust relationships lead to minimal supervision. In many cases, trade contractors merely report the outcome of jobs to Osborne supervisors.

Tenants and leaseholders

Monthly telephone surveys of customers (100 random calls = 5% sample of 2000 jobs) show customer satisfaction consistently in the range of 95-98%. How does Osborne manage such outstanding results?



Osborne's Account Manager, Jackie Bell, says: "Tenants are used to phoning up, reporting, dealing with someone who is helpful and someone turning up at the right time to do the repair. It's about logistics – getting operatives to the right place at the right time, and equipped to do the job properly."

Fortunately for Bell, the residents had been involved in founding the partnership agreement by the time she joined the team in December 2002. These actions included:

- consultation meetings with the Federation of Broomleigh Residents (FBR) about the new partnership
- attending resident meetings when invited
- giving FBR access to key individuals in the team
- transferring the call centre from Broomleigh to Osborne, thus bringing residents one step closer to the people who actually do the maintenance work.

Perhaps the biggest difference is what the residents experience when they request a repair. This is how Osborne handles a routine call:

- The call centre aims to answer calls in 20 seconds and this is a continuing challenge. The emphasis is on dealing with enquiries fully and establishing that Osborne has as much information as possible to assist the resident. The caller is asked simple questions to establish the facts. The call centre logs the job and assigns it to an operative or subcontractor.
- Osborne aims to attend within 20 working days and hits the target in 97% of cases.
- Once an appointment is fixed, the aim is to go in, do the job and get out in one visit. 85% of callers get an appointment on the first call to the call centre and 97% of appointments are attended on time.

The call centre has people nominated for particular types of maintenance jobs in the various estates. This improves the flow of information and the efficiency of getting the work done.

Flats may include leaseholders – former tenants who have exercised their right to buy. Osborne has to take particular care with work in communal areas because leaseholders, who pay a contribution towards the maintenance of communal areas, must be consulted. Osborne has learned how important it is to have an open dialogue with leaseholders.

Mike Lye is Company Secretary of the Federation of Broomleigh Residents and is a member of the Affinity Board. A resident himself since the days when the local authority managed the estates, he now has a 'watchdog' role over Broomleigh's maintenance partnerships. Asked how it is that Osborne has managed to improve the service while reducing costs he replies: "The difference is having a short and accountable supply chain. We used to have layers of contractors and sub-contractors. Osborne are good at keeping residents informed. We meet with them regularly to go over their monthly feedback sample of 100 jobs and we push them to keep improving. I believe we're also working smarter in the Federation and that helps to produce better results."

Contract for partnering

When this contract was set up in 1999, there were no 'standard' partnering forms such as PPC2000 and NEC option X12. So the partners adopted the JCT Measured Term Contract with amendments to cover key performance indicators (KPIs), pain/gain agreement, open book accounting and processes for partnering.

Were they to start again today, the partners might consider a completely new contract, such as the bespoke form that Osborne is working on. But having come this far, they are so committed to partnering that they do not feel JCT inhibits their activities, even though it is not intended as a partnering contract.

Although they started with a five-year rolling contract that was renewed annually, they now have a 10-year contract to 2013. However, any new arrangements made like this today would be unlikely to pass muster under the EU procurement rules.

Building the team

Team building has been at the heart of the partnership from day one. The principles that underpin harmonious and productive relationships include:

- abandoning traditional lowest price mentality
- not dumping risk on the contractor
- using fair terms of contract
- having a 'core group' to run the partnership.

The teams were built up by actions such as:

- Broomleigh and Osborne held joint partnering workshops for their staff.
- They set up a hierarchical system to resolve problems at the lowest possible level.
- The operations team (mainly Osborne people) is conveniently located next door to Broomleigh's headquarters.
- Joint training is done for customer service and health and safety topics, and some Broomleigh staff have been seconded into the call centre.
- There are joint social events and away days.
- The core group (similar in concept to that used in the partnering contract PPC2000) makes decisions by consensus. Although somewhat fluid, it comprises three client and three contractor representatives.

Risk management

Identifying and managing risks played a big part in establishing a viable partnership.

Whole project risks, for example whether an investment is appropriate, are shared 50/50 and are managed by the core group.

Construction risks are 100% Osborne's responsibility.

People risks (a big issue in maintenance) are managed by the core team and allocated on a case-by-case basis.

Sustainability and whole-life value

The partnership has a strong asset management focus. This was reinforced when Osborne was awarded the contract for planned maintenance. When Broomleigh's property services team are prioritising planned maintenance, they consult the responsive maintenance contractors – Osborne and Rydon. "We have been updating the maintenance records of 8000 properties over five years and we use this and our local knowledge to inform Broomleigh's planned maintenance programmes", says Bell.

The partnership focuses on repairs that will give long-term maintenance benefits. Operators have the authority to make decisions about replacement with components that will last longer, instead of having to come back again in six months to make good a cheap fix. This did not happen under the old term maintenance contract which discouraged thinking about whole-life issues.

Incentives

There are two incentives to improve performance.

1. Osborne's profit is linked to meeting KPIs targets which may rise.
2. If the budget is overspent at the end of the year, Osborne shares this pain 50/50 with Broomleigh. But they also share any gain.

Joint work to eliminate duplication and waste has ensured that performance keeps pace with challenging targets that keep rising year on year. In the first year the saving was £300k (about 10% of budget), achieved by rationalising the team and delivering better value services. The target for budget has fallen in real terms each year by constraining cost rises to a few percentage points less than the building maintenance index. The partnership has consistently achieved a further £100k saving each year.

DOING IT EVEN BETTER

– continuous improvement

The Housing Forum recommends the partners...

- measure, manage and review performance
- deliver benefits to the wider community
- develop industry learning and skills.

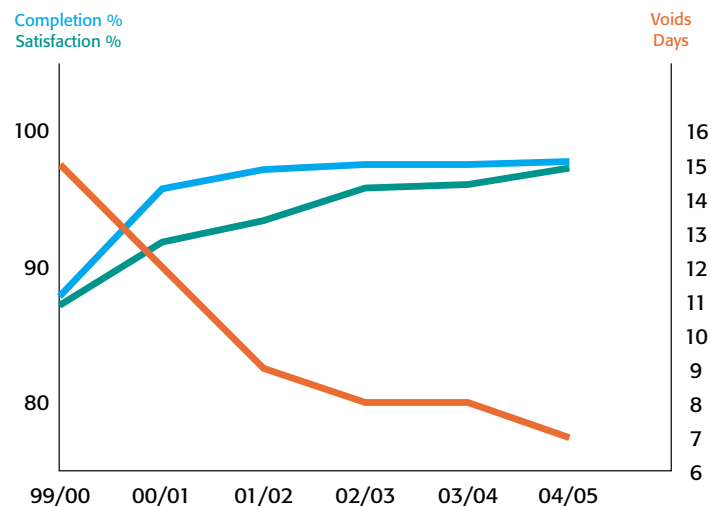
Continuous improvement

The partners do not use all the Construction Industry 'headline' KPIs because some are more suited to construction than maintenance.

Instead, they use three KPIs, all linked to profit:

- completion within the specified time
- void turnaround
- customer satisfaction.

Osborne offers incentives to achieve these KPIs in the form of bonuses to operators and extended contracts for subcontractors.



All key performance indicators show continuous improvement since 1999.

Completion KPI is the % of jobs completed within the target.

Voids KPI is the number of days to make a vacant property ready for a new resident (this can involve quite a makeover).

Satisfaction KPI is % of customers who are satisfied with a job, determined from monthly samples of 100 jobs.

Notice that it is a remarkably simple system to operate and that performance has recently plateaued in the top 90s. The challenge now is to maintain high standards; KPIs keep up the pressure to do this!

The core team is working on a new KPI to measure the prompt making of appointments.



Benefits to the wider community

Developing employment via stable relationships with contractors is one of the hallmarks of a successful partnership. Broomleigh residents comprise about 20% of the operations team, working as operatives, administrators and supervisors. All the specialist trade contractors are local and employ many local residents.

Osborne has used this long-term contract to invest in learning and training.

There are special courses in personal safety, health and safety toolbox talks and a focus on Construction Skills Certification Scheme (CSCS) cards. 85% of Osborne's Operatives have a CSCS card and are working towards National Vocational Qualifications (NVQ) and the company expects all its supply chain partners to be working towards CSCS accreditation. Osborne has supported the development of an NVQ in



general maintenance because the Broomleigh maintenance contract cannot offer the full range of construction skills needed to achieve the majority of specific trade NVQs, such as carpentry. The company is proactive in multi-skilling, apprenticeships and developing supervisors.

Equality and diversity in the workforce have become topical in construction in recent years. Bell says they need to recruit more young people, mirroring an industry-wide shortage. Osborne recruits apprentices and is looking at supporting schemes run with local schools to give 14-16 year olds a taste of occupations in the maintenance trades. Despite Bell taking an active interest in recruiting across the gender divide, there has been little take up of maintenance work by women and call centre roles by men.

Transfer to the wider industry

The partnership has entertained hundreds of visitors. In 2000 they held an open day for people to learn about partnering in the context of maintenance. There were so many delegates that Broomleigh arranged morning and afternoon sessions. But McCall warns: "Although a lot of people have come to see us (about 100 organisations) I think very few are truly partnering."

Osborne is still hungry for improvement, but they admit that squeezing out the last few percentage points in customer satisfaction

What happens next

will be difficult, because statistically there are always a few customers who will never be content and it is impossible to eradicate the human-error aspect of maintenance.

80% of Osborne's work is repeat business, hence reputation is everything. Sturmer sums up: "We focus on our core values of quality, honesty and integrity to fulfil our clients' needs. The challenge we face is to continue to provide a high quality service with a strong tenant focus, whilst maintaining the pressure to reduce costs. We will achieve this by working closely with our clients, supply chain and in-house workforce to continually challenge the accepted status quo and find innovative solutions to age-old problems. Long-term partners like Broomleigh, who keep pushing the boundaries with us, create the best environment for this to happen."

Broomleigh treats partnering as a collective procurement exercise. McCall concludes: "We started partnering with Osborne and then extended the arrangement to Rydon. We also piloted partnering for major works and improvements and we're now in the process of selecting final partners in line with the EU procurement guidelines. The challenge for us is to keep these partnering arrangements alive so we can drive real supply chain efficiencies."

Next steps

■ About partnering:

Go to www.thehousingforum.org.uk.

or www.constructingexcellence.org.uk.

Under "Topics I am looking for..." select:

- Partnering and supply chain management
- Housing Forum Partnering toolkit.

■ About KPIs and continuous improvement:

- Visit the KPIZone at www.constructingexcellence.org.uk.
- Read the fact sheet *Benchmarking* at www.constructingexcellence.org.
- Attend a KPI Masterclass. Book via the Constructing Excellence Events Team, T 020 7592 1100.
- Measure your progress with *The Construction Industry KPI Pack* or *The Housing KPI Toolkit*. Order from Rakusen Design, T 01702 393200.
- Download KPI wallcharts from www.constructingexcellence.org.uk.

■ Constructing Excellence has:

- a network of consultants to help you
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■ **The Construction Productivity Network** holds workshops on best practice business topics, T 020 7549 3300, www.ciria.org.uk.



Broomleigh Housing Association

Neil McCall, Chief Executive

Maple House, 157-159 Masons Hill, Bromley, Kent BR2 9HY

T 020 8313 3310

E neil.mccall@broomleigh.org.uk

www.broomleigh.org.uk

Geoffrey Osborne Limited

Matthew Sturmer, Divisional Director

1st Floor Raven House, 29 Linkfield Lane, Redhill, Surrey, RH1 1JP

T 01737 378200

E matthew.sturmer@osborne.co.uk

www.osborne.co.uk

Constructing Excellence

Warwick House, 25 Buckingham Palace Road,

London SW1W 0PP

T Helpdesk 0845 605 55 56

E helpdesk@constructingexcellence.org.uk

www.constructingexcellence.org.uk