

'We've not seen the end of contractors failing'

While the demise of Connaught and Rok encouraged many social landlords to review their approach to repairs and maintenance, it seems a combination of budgetary constraints and time pressures has meant few have taken the decision to bring these services in house. Paul Golden investigates.

Last September One Vision Housing announced plans to create up to 100 jobs in a new in-house maintenance service that chief executive Roy Williams said would ensure a more practical and effective service for its customers.

Williams confirmed that the company considered bringing in another contractor to replace Connaught before deciding that an in-house resource would give it greater control over the quality of repairs, although it did use a number of external providers on an interim basis while it was setting up the service.

However, his suggestion that the collapse of Connaught had the potential to change thinking about repairs and maintenance service delivery and might encourage other housing associations to consider their position has only partly been borne out.

The approach taken by Barnet Homes is typical of many landlords in that it transferred its repairs service from Connaught to Lovell in a deal that included a number of the now defunct contractor's staff, although Barnet Homes chief executive Tracey Lees admits that "had it not been for the urgency of the situation, we would have given more consideration to bringing repairs back in house".

Mick Williamson, managing director of Willmott Dixon Partnerships, acknowledges that other landlords have looked at taking the service back in house, but says the reason they outsourced in the first place was that the costs were lower.

However, he also referred to increased interest in joint ventures (an arrangement social landlords have traditionally shied away from) and the re-emergence of competitive dialogue.

"Making a greater effort to get to know the contractor increases the chance of selecting the right partner," he explains. "We are also starting to see old fashioned schedule rate contracts or 'cheapest price wins' become less evident in favour of the open book target cost model, where the cost is established at the start of the year over every year of the contract.

"In this scenario the client has budget certainty and can avail of a shared savings model where the cost turns out to be lower."

Williamson says clients have become more discerning over the last five to six years and that the events of the second half of 2010 have accelerated this process – Lees stated that Barnet Homes' repairs and maintenance procurement process is



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weighted 60-40 between quality (including sustainability and corporate responsibility) and price.

Morrison chief executive Guy Wakeley agrees that clients are being more diligent about their procurement decisions rather than being tantalised by very low prices. "Traditionally outsourcing was a process whereby the private sector took costs out through reducing jobs," he says.

"The focus now is on providing value while protecting jobs, so the local authority maintains employment while the client reduces spending. Landlords are traditionally weak at reducing costs and taking the service in house leaves you with no way of managing these costs."

He accepts that sustainability and corporate responsibility are moving up the procurement agenda while the fall in contract prices over the last two years (he puts the figure at about 15%) has been arrested. On the downside, though, prices are not recovering "and it is still rare for a contract not to end up with the cheapest supplier, although that might change as the economic climate improves."

Similarly, John Turner, deputy director asset management at Gentoo, says risk has become a greater consideration when pitching for contracts and that pricing has become tighter which, in his view, has pushed more aspirational objectives such as corporate social responsibility down the pecking order.

"There is clearly a much stronger focus on price than any other element. In order to remain competitive, profit margins are as low as 1% and whilst sustainability and longer term costs are still relevant, they do not appear to be considered as strongly as they were 12 months ago."

According to Alan Long, Mears Group executive director, the provision of repairs and maintenance services for social housing in the UK should be subject to continual review to ensure that promises made in terms of quality are deliverable within the agreed level of pricing. "If a provider is bidding at a much lower price than its competitors, we have to ask why."

He shares the view that there has been "no real change yet" in the number of social landlords bringing repairs and maintenance functions in-house and adds that landlords will have to develop business models to reflect reduced levels of central funding. "We expect to continue to be challenged to deliver long-term value for money and to find new ways to help landlords meet

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Willmott Dixon's vans are a familiar sight on Birmingham's streets

cont» financial challenges.”

Long accepts that while his organisation works most effectively when there is a long-term partnering model in place that allows it to contribute to the community through apprenticeships and local job creation, environmental improvements, investments in community facilities and a range of other activities with long-term benefits that go beyond the strict requirements of the contract, not all landlords have the same attitude to non-price related issues when awarding contracts.

“For most we believe this is part of bringing value to the partnership and, in our view, it is rarely all about the price, but of course they also want to know that their repairs and maintenance activity is cost effective.”

For all the talk of sustainability and new business models, Williamson admits that there will always be clients focused on the lowest price who are happy to replace contractors who fail with another prepared to do the work for the same price, just as there will always be contractors who will go in at less than cost and take the risk that they can find a way of making a profit over the term of the contract.

As a result, he reckons there will be more contractor failures, albeit not on the same scale as Connaught or Rok. “The writing was on the wall for those operators for about two years because



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of the rates they were picking up work for and there are two or three contractors out there now that the industry is waiting to go the same way. We have not seen the end of contractors failing, especially those undercutting market rates by 20-30%.”

Bridging the skills gap

One of the key issues in any discussion of the delivery of repairs and maintenance services for social housing is the availability of tradespeople with the necessary skills.

While John Turner is confident that there are enough people to do the work at the moment (“we have sufficient resources to deliver the work that we need”), Alan Long believes more apprentices are required and is supportive of Government activity in this area.

“Over the next decade will need apprentices equipped to help deliver against the Green Deal. This requires new skills to be developed to benefit from investments made in environmental improvements,” he says.

Mick Williamson is even more concerned, suggesting that contractors are not addressing the issue properly as an industry even though his firm is taking on more apprentices this year than ever before. He says there are not enough companies investing in apprenticeships and that thousands of apprentices have been released since the start of the recession and lost to the industry.

In response, Willmott Dixon has put another tranche of its repairs and maintenance engineers through a multi-skilled NVQ in building maintenance designed to enable them to carry out a wider number of repair tasks in council-owned homes. The 60 engineers work in properties owned by Birmingham City Council and are part of the company's response team working with the council to repair and maintain 60,000 properties across the city.

While most of the engineers hold a qualification in one particular trade, possessing the additional NVQ means they have skills to complete several trade tasks in areas such as carpentry, plastering and plumbing, which they were not previously trained to do.

The latest group to acquire their NVQ brings the numbers of qualified multi-skilled Willmott Dixon engineers working in the north of Birmingham to more than 150. The training is part of a process that aims to reduce the cost of the service the company provides to Birmingham City Council by £47 million over the five year terms of its two contracts.

“Our company is committed to making sure our engineers have a multi-skilled qualification, so that those qualified in a single discipline – such as plastering or carpentry – develop their skills in other areas,” says Williamson. “As well as reducing the time we need to spend in homes, the extra qualification will ensure our people can also develop as individuals.” ■



Rok bottom. The company's demise has reopened the cost versus quality debate