

Challenges facing modern DLOs

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Background

- Asset management consultant for more than six years
- Numerous repairs and maintenance health checks/audits throughout the UK
- Currently doing PhD research in repairs and maintenance including the role of the internal service provider
- DLO size ranges from 8 operatives to 400+

Challenges of delivering 'successful' repairs and maintenance services

- It is arguably the most customer 'facing' of Housing services
- Features highly in customer satisfaction surveys, i.e., dissatisfaction
- It adds no value – it doesn't create an asset but only maintains an existing one
- Key expenditure area
- Image and reputation of the landlord may well be informed by the repairs service
- A hard service to deliver consistently well due to so many 'variables'
- The Regulator

The case for a DLO

- DLOs involved in housing maintenance provide services that are central to both the overall performance and image of the landlord
- Becoming more aware of the role that an internal trading arm can play in acting as a buffer against the market and growing skill shortages, i.e., a mixed economy
- Aware that they should be able to exercise greater control and influence on a service provider which there are greater linkages
- The private sector is not a universal panacea

The case for a contractor

- Private sector approach, especially on management issues adds value
- No DLO – no long term fixed cost to business plan
- Ability to design service from a number of likeminded clients
- Highly flexible and adaptable
- Ability to invest in the service

A high performing service provider is characterised:

- Tight labour costs with competitive wage levels, cost effective incentives and controls over quality of work
- Commercial awareness and acumen
- Efficient working practices
- Flexible workforce
- Customer care/satisfaction
- Lean overheads and reasonable central establishment charges
- A service that reflects the needs
- Supply chain management

A high performing service provider is characterised cont'd

- Effective management information and support systems
- Extensive use of appropriate information technology
- Good industrial relations
- Knowledge of competitors
- Effective training programmes for managers and operatives
- Strong leadership
- Continuous improvement regime
- Productivity in excess of £65k per employee

Performance Management

- Tend to have to 'fit' into corporate system, especially IT interfaces
- Measure the outputs not the inputs
- Range of KPI's – headline and service to cover both 'client and contractor functions
- Customers help shape the service standards and assess how DLO delivers against
- Measures cashable and non cashable efficiency measures/improvements.

Productivity

- Move away from traditional SMV based bonus = productivity drops dramatically
- Introduce shadow bonus system as a productivity measure
- Dynamic scheduling of work load
- Emphasis moved from pre to post inspections
- £65k productivity level is based on an average of four jobs per day and an average value of £75 per job
- Benchmark should be for 70% of all time available
- Seventy percent is defined 'as value adding to a product or service' (ODPM 2005)

A Case Study of a top quartile DLO – The London Borough of Camden

- 125 operatives
- 18,600 units in contract;
- Mixed economy in place
- Inner London market complexities, (i.e. labour market, logistics)
- Step change since early 1990's from a 'struggling' organisation to top quartile

London Borough of Camden (cont'd)

- DLO sustains performance to a high level (*many achieve this but cannot sustain long term*)
- Customer focus groups show a strong preference for a DLO
- Ability to control and influence is high
- Value for money exceeds external contractors (SoR cost higher but actual invoice lower)
- Support functions (e.g. stores, joiner shop etc..) add value (*frequently a major drain on resources*)

London Borough of Camden (cont'd)

- Has no major IT issues (*a common failing in DLOs is IT barriers*)
- Has a flat and integrated management structure – artificial barriers by CCT removed (twin-hat Head of Service)
- Has a non protectionist client – DLO has to be successful to have a future
- Low direct & indirect overheads
- Has a 'rising hurdles' approach to continuous improvement
- Low reliance on the use of sub-contractors

The future

- Has a DLO that can compete with the best in the sector
- Has achieved a number of efficient working practices
- Has the ability to grow into other areas
- Has a very committed workforce in a buoyant part of the market
- Has a clearly defined future procurement strategy and a plan of how this is to be achieved

Common issues for efficiency review – for any DLO

- Any organisation needs to periodically review the delivery model – a few 'tweaks' are unlikely to deliver
- Keep the review focused on strategic issues
- Canvass all stakeholders in the review
- Produce time bound action plans that are realistic and prioritised
- Understand the cost drivers to eliminate waste
- Be clear about what you are benchmarking
- Look at both cashable and non cashable savings

Common issues

- Don't make excuses for poor performing DLO/contractor – client needs to hold DLO/contractor fully accountable, by the same token, client side need to become more effective in their role
- The optimal solution will be governed by a number of factors – need to understand the 'drivers'
- Need to know what the local market is and how current service compares
- Need to achieve greater synergies, e.g., there is now an emerging trend of adopting a facilities management approach

Common issues ...(cont'd)

- The case of joint commissioning – takes collaborative procurement one stage further – again shows an emerging trend. What is the impact for the modern DLO?
- The sector has numerous examples of partnering with contractors and also with an in-house provider
Fundamentally, design the service around the customer:
"The customer is the ultimate judge of value"
Sir John Egan