



# DLO Operations Service or Surplus Influencing the Board

National Housing Maintenance  
Federation Conference

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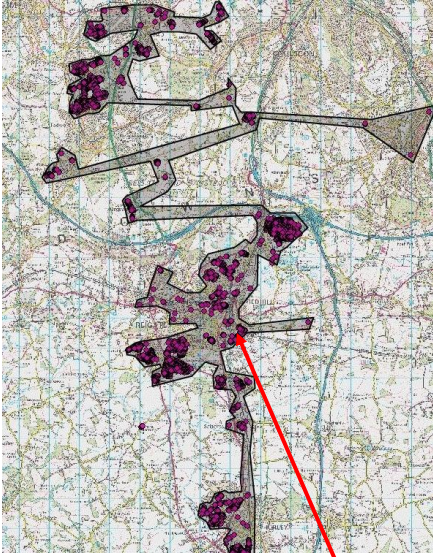


Raven Housing Trust

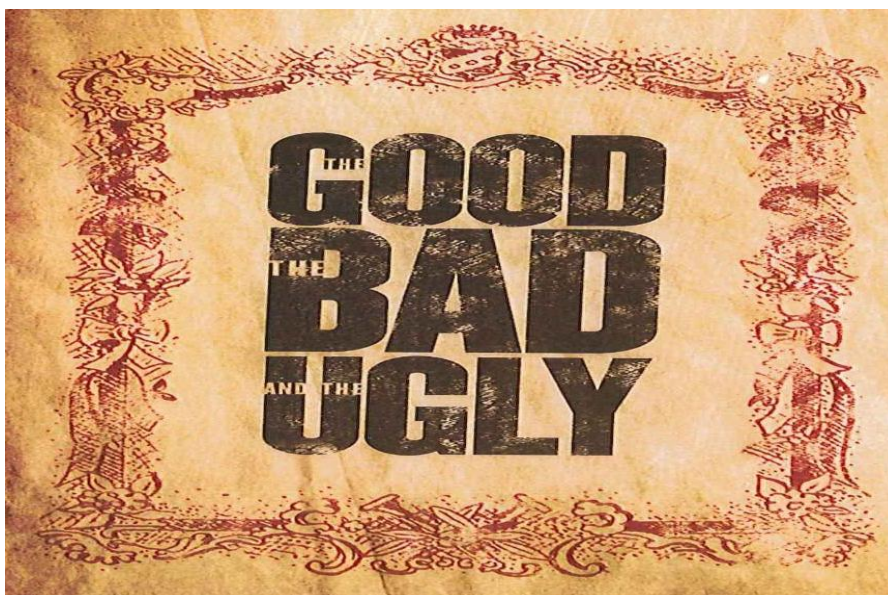


## Raven Housing Trust Profile

- 6200 units
- 5300 maintained using DLO
- 35 Trade staff
- £3m responsive budget
  - Repairs (£2.2M)
  - Voids (£800k)
- £1m contractors
- 2002 – 2009
  - Delivering promises
  - Improving homes
  - Housing Management
- 2009 – 10
  - Repairs !!



50 square miles



## FIRST IMPRESSIONS

### The Good the Bad and the Ugly

#### The Good

- Customer focus
- Resident feedback - "staff attitude"
- Customer Service Team
- Kpi performance – time to repair
- Customer satisfaction results  
STATUS though !
- Desire for change



## The Good the Bad and the Ugly

### The Bad

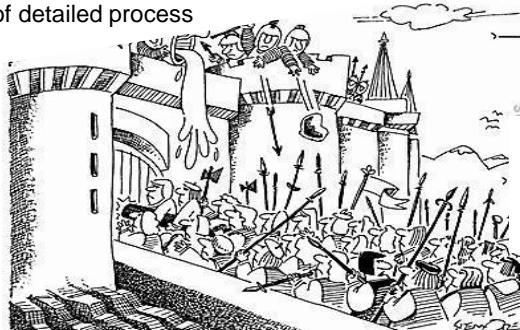
- ⚙ Financial unpredictability
- ⚙ Poor integration of systems
- ⚙ Mistrust of data



## The Good the Bad and the Ugly

### The Bad

- ⚙ Silo working
  - ⚙ Repairs team a separate entity
  - ⚙ "Black holes" in the process
  - ⚙ How to manage the customer experience ?
  - ⚙ Lots of policies, lack of detailed process



"Imagine if we'd asked them for money !"

## The Good the Bad and the Ugly

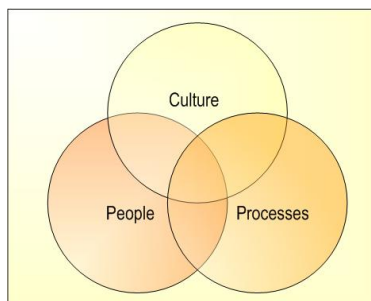
### The Ugly

- Pre-occupation with PRICE not COST
- Overhead apportionment non competitive
- Awareness of how much things cost ?
- Perception of internal stakeholders
- Money "down the drain"



## Raven Board Expectations

- A fresh perspective
- Predictability & Financial Control
- "Value for Money"
- Improvements to resident perception – STATUS
- Challenging standards
- Develop management capability
- Improved performance management



## Influencing the Board

- 2 tier approach
  - Subject matter expert working group
  - Detailed business models
- Simple key messages
  - **Residents** preferences paramount
  - Defining and delivering **Excellent** Service
  - **Cost control** NOT profit creation
  - **Value for Money** Balanced Scorecard
  - Trading Statement as a **Benchmark** not principal driver
  - **Performance Manage** effectively; reward excellence
- Independent validation
  - M3 Consultancy



Leadership & Facts



Facts & Statistics

## Changing the Commercial Model

### Growing Direct Repair

	( Current )	( Growing Direct Repair )		
	Option 1	Option 1a	Option 2	Option 3
	Current with Local Back Up	OH&P on sub-contractors	Replace Back Up Repairs with DLO	All in-house by DLO
<b>Total Volume of Repair Work Done</b>	3,155,917	2,957,031	2,837,481	2,805,599
Repairs Back Up Contractor	380,000	380,000	0	0
Voids Back Up Contractor	120,000	120,000	100,000	0
Specialist Contractors	494,114	494,114	494,114	494,114
<b>Total Planned work done by Contractors</b>	<b>994,114</b>	<b>994,114</b>	<b>594,114</b>	<b>494,114</b>
Repair work done by Direct Repair	1,551,803	1,352,917	1,613,367	1,591,485
Voids work done by Direct Repair	610,000	610,000	630,000	730,000
OH&P recovered on contractors costs	0	99,411	59,411	49,411
Works for other Departments	100,000	100,000	100,000	100,000
<b>Total work done by Direct Repair</b>	<b>2,261,803</b>	<b>2,162,328</b>	<b>2,402,779</b>	<b>2,460,897</b>
Less Materials Costs	476,000	476,000	586,000	584,000
Less Transport Costs	240,184	240,184	270,184	280,184
Less Labour Costs	1,049,860	1,049,860	1,169,844	1,199,840
Less Other Costs	80,247	80,247	80,247	80,247
<b>Cost of Direct Repair Operation</b>	<b>1,846,291</b>	<b>1,846,291</b>	<b>2,086,275</b>	<b>2,144,271</b>
Operating profit	415,512	316,037	316,504	316,626
Less overhead contribution	214,000	214,000	214,000	214,000
<b>Trading Profit / Loss</b>	<b>201,512</b>	<b>102,037</b>	<b>102,504</b>	<b>102,626</b>
<b>Direct repair mark up</b>	<b>25.00%</b>	<b>13.50%</b>	<b>5.35%</b>	<b>3.68%</b>
No of repairs trade staff (excl supervisor)	25	25	28	28
No of voids trade staff (incl supervisor)	10	10	11	12
Repairs Trade Average Output	66,072	58,117	61,192	60,053
Voids Trade Average Output (excl supervisor)	67,778	67,778	63,000	66,364

Improvement in output performance

Mark Up on Direct Repair Works

## In-source Options

**OPTION 1**  
DLO as Main Contractor

Contractor Model

- keep CST in house
- keep Client Head of Role
- commercial model required
- profit targets set
- Direct Repair independence

**OPTION 2**  
Current model

60:40 split	
<b>Direct Repair:</b>	
Plumber	x 2
Carpenter	x 2
Electrician	x 4
Plasterer	x 2
Painter	x 4
Multi Skill (V)	x 10
Multi Skill	x 5
Driver / Lab	x 5
Floor layer	x 1
<b>Back Up Contractor</b>	
£500k - repairs	
£300k - voids	
<b>Specialist Contractors</b>	
£600k	

**OPTION 3**  
Grow DLO with Local Back Up

70:30 split	
<b>Direct Repair:</b>	
Plumber	x 3
Carpenter	x 4
Electrician	x 4
Plasterer	x 3
Painter	x 4
Multi Skill (V)	x 10
Multi Skill	x 5
Driver / Lab	x 5
Floor layer	x 2
<b>B Up LOCAL Contractors</b>	
£100k - repairs	
£300k - voids	
<b>Specialist Contractors</b>	
£600k	

- grow Direct Repair by 5
- £270k cost v £300k saving
- local back up (£100k)

**OPTION 4**  
Grow DLO with No back up

90:10 split	
<b>Direct Repair:</b>	
Plumber	x 4
Carpenter	x 6
Electrician	x 4
Plasterer	x 4
Painter	x 5
Multi Skill (V)	x 10
Multi Skill	x 8
Driver / Lab	x 7
Floor layer	x 2
<b>Specialist Contractors</b>	
£600k	

- grow Direct Repair by 15
- £750k cost v £800k saving
- specialists only

**OPTION 5**  
As Options 2 – 4 Not for Profit

Service Delivery Model

- keep CST in house
- commercial model based on budget control and kpi's
- NO profit targets
- focus on Service Delivery

## Demonstrating Value For Money

Repairs Direct

Value for Money Performance Dashboard

SEPTEMBER 2010

Value For Money Status

Financial Performance		Customer Service Performance		
Target	Year to date	Year end forecast	Status	
Client Repairs Budget	£2,882,407	£1,496,915	£2,950,000	Red
Average Cost of Repair / property	£537	£558	£549	Red
Average cost / void	£1,425	£1,505	£1,425	Yellow
Back Up Contractor Work Done	£400,000	£280,000	£400,000	Yellow
Specialist Contractor Work Done	£584,000	£400,000	£600,000	Yellow
Overall Status				Red

Client Repairs Performance		Direct Repair Performance		
Target	Year to date	Year end forecast	Status	
Average repairs / property	3	1.99	4	Yellow
% of emergency / urgent repairs	35%	27%	27%	Green
Void turn around performance (days)	21	17.85	20	Green
Overall Status				Green

Customer Service Performance		Direct Repair Performance		
Target	Year to date	Year end forecast	Status	
Customer satisfaction feedback	90%	93%	93%	Green
Time to Repair (days)				
Overall	8	8.52	9	Yellow
Emergency	2	0.45	0.5	Green
Urgent	7	2.32	3	Green
Routine	31	12.53	15	Green
Right first time (%)	90%	99.96%	95%	Green
Overall Status				Green

Direct Repair Performance		Customer Service Performance		
Target	Year to date	Year end forecast	Status	
Current mark up to deliver target surplus	2%	-1.50%	0.00%	Green
Average Trades Person Output	68,000	32,479	64,958	Yellow
Cancelled appointments	416	183	380	Green
Overall Status				Yellow

## Successful Outcomes

- Growth for the DLO team
- Customer Value and Cost Control the priority
- A change of emphasis for the Trading Statement
- Rewarding excellence
- A Value for Money model



## How long did we take ?

1. Repairs Working Group appointed by Raven Board

2. Head of Repairs appointed

3. Current performance benchmarking  
- Client key performance indicators  
- Contractor performance indicators

4. Develop range of options (Outsourcing v Insourcing)

5. Appraisal developed for each option

6. Appointed independent advice (M3 Consultancy)

7. Working group decide "direction of travel"

8. Detailed business plan for all insource options including re-structuring of management team

9. Re-run market benchmarking model

10. Finalise Business Plan and Board Paper

11. Board recommendations and approval



## Future Opportunities

- A different perspective
  - Cost control by all staff
  - Focus on adding value
  - Understanding Customer & Business priorities
  - Enhancing front line roles



## Questions and Discussion

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 m<sup>3</sup> CONSULTANCY