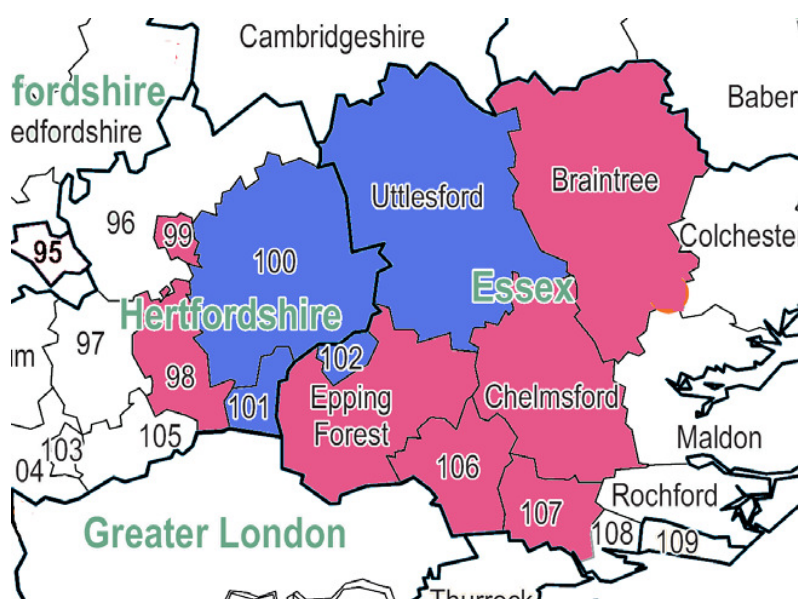


### **Question 1 What is innovative about the service provided?**

Kier Harlow Limited, a joint venture formed in 2007 by Harlow Council and Kier Support Service, was established specifically to improve the performance of the Council's building repair and maintenance programme and environmental service. The JV rapidly enhanced performance and generated £multi-million savings for the Council.

Many aspects of the partnership are innovative, not least the contractual arrangements that underpin the entire partnership. The Council holds a minority (19.9%) equity stake but retains a 'Golden Share', ensuring it receives further income from the company as it wins third party business or exceeds its project margins.

The growth of the business is enshrined in the partnership set-up, with an 'exclusion zone' established within a 20 mile radius of Harlow wherein all relevant work from local authorities and housing associations within two defined geographical boundaries (as highlighted on the map below) is fed into the joint venture. This was a deliberate policy to bring in new work and - most importantly – to protect jobs within Harlow.



Work has already started to be won by the partnership from within the zone, such as the £300,000 p.a. contract from Stevenage Council and the £150,000 p.a. contract from Hightown Praetorian & Churches housing association.

These new contracts will see reduced management costs and a more streamlined service through joint learning, with problem solving and customer satisfaction improving.

A further innovation built into the partnership from the outset was the ability to streamline and improve the management of the Council's technical services and client-wide functionality.

Kier Harlow became responsible for the management of the Council's entire building portfolio, including stock and energy efficiency data, specification of major refurbishment programmes and the procurement process for large works not covered by the contract.

This means that technical job functions have been streamlined, eradicating duplication, with a focus on improving skill levels and achieving greater productivity – a job that in the past would have seen six people working on it now may need only three. With one team holding all relevant data and managing the housing stock portfolio technicians such as surveyors are better able to propose planned capital programmes, issue and evaluate tenders and manage the work on-site.

This also assists in reaching the government's target of a 70/30 split between planned and reactive works.

### **Innovative joint venture helped take Council from 'poor' to 'good'**

Kier Harlow went live with the TUPE transfer of approximately 400 staff and an initial £130 million+ core contract for housing repairs and improvements, building maintenance, street scene services and grounds maintenance.

The original contract covered 10,500 Council properties for a period of seven years but with a further three years optional extension. Its annual value is around £20 million.

This innovative new joint venture was necessary because only five years ago Harlow Council was judged 'poor' in its Comprehensive Performance Assessment from the Audit Commission, one of the worst councils in the country. Since the establishment of Kier Harlow, the Council has achieved a CPA rating of 'good' in 2008, one of only three councils to have ever achieved this scale of improvement.

The day-to-day work of the partnership ensures an innovative approach to each aspect of its work: the local economy is being supported through sourcing materials locally and a trade academy for construction skills has been created in partnership with Harlow College.

The Council has also developed an innovative way to streamline the procurement process for considering the options for the award of capital works. After evaluation of a business case against market benchmarks, the Council has the option of either awarding the contract or going out to tender in the marketplace. This innovative approach was developed with external legal and financial expertise from Nabarro and PricewaterhouseCoopers.

As the partnership has developed new ways of saving have emerged, such as fixed price maintenance work.

The effectiveness of the partnership is assessed closely and rigorously via a corporate suite of Major and Minor Key Performance Indicators that are monitored monthly from figures given by Kier. The KPIs are open to amendment and others can be added or omitted where necessary, by agreement between parties. The KPIs and the performance are also reported to Council committees.

Performance is further monitored via the Council's own inspections of completed work and work in progress and via regular meetings with Kier Harlow and client teams, culminating in a monthly joint performance review.

A tenant satisfaction telephone survey is conducted by looking at a percentage of the completed jobs and a team of Tenant Inspectors carries out post inspections, initially on void properties being returned by Kier. The results of all the surveys are sent to Kier for rectification/learning and to resolve problems that have been identified.

Kier Harlow also has a Repairs Service Improvement Team, comprising members, tenants, leaseholders, Kier staff and officers. This reviews maintenance processes, materials used and other issues. It also fulfils an important monitoring function as Tenant Inspectors provide an interface between the customers and Kier Harlow and the Council. An environmental service improvement team has also been recently established.

In addition, a number of Critical Success Factors (CSFs) have been identified for each of the service elements. Failure of a CSF will represent automatic non availability of the service for the duration of the period for which the service performs below the CSF threshold, and a financial penalty may be applied.

#### **Overview of the Performance Indicators and Critical Success Factors:**

	CSF	Major	Minor	Meas	Total
Street Scene	2	9	12	35	58
Grounds	1	6	5	24	36
Housing	3	11	11	13	38
Property	3	7	3	4	17
Depot	2	2	1	7	12
Miscellaneous	3	3	3	9	18
Totals	14	38	35	92	179

**Question 2 What are the benefits to:**

**a) the client**

*Graham Branchett, strategic director of Harlow District Council, says: "The Council has benefitted greatly from the partnership, not only in terms of efficiency but also in the quality and speed of the service now delivered.*

*"Greater financial accountability through informed budgetary control ensures that the services are driven forward and resident satisfaction is constantly improved using stringent KPIs. Kier Harlow has become a beacon of quality, efficiency and achievement within the local government sector."*

Specific projects have brought their own benefits. For instance, now that the call centre has been transferred to the joint venture staff no longer need to seek clarification from the Council when deciding which works need prioritising.

Employees also benefit greatly from the partnership and this is reflected in the decrease in staff turnover and sickness. Kier Harlow has introduced various measures that help individual members of staff, such as those with learning disabilities. Since the launch of the joint venture this team has been given greater responsibility and a wider range of tasks, making its job more rewarding.

The company has also improved personal protective equipment for staff and now holds regular 'toolbox talks' to keep all staff abreast of priorities and plans. Safety advisors have implemented several initiatives that eliminated major incidents in the first year of operation and Kier Harlow's AIR (accident incidents rate) is now well below the HSE benchmark. Well Man and Well Woman screening clinics have been established.

The move to a fixed-price per job arrangement is specified within the partnership contract, reducing the time and resources required to conduct repairs and maintenance.

Kier Harlow contributes directly to the Council's delivery of exciting and positive change locally. Harlow Vision 2020 clearly details local priorities and aspirations and the Essex Local Area Agreement provides a wider context to locally defined objectives. Kier Harlow addresses these issues directly via a series of wide-reaching corporate social responsibility (CSR) programmes (see below – benefits to the residents).

**b) the contractor**

*Peter Brynes, MD of Kier Building Maintenance, says: "Kier Harlow is evidence of how a united team can address challenging programmes to deliver meaningful services to people in their homes. Kier has grown as a company in terms of ability and knowledge due to the partnership and we are proud to host visitors from other authorities wishing to learn from Kier Harlow's success."*

Kier gains exceptional security from having a seven year contract that can be extended to ten years. This allows long-term initiatives to be implemented and makes a real difference to the efficiency agenda.

The spread of the activity – from repair and maintenance to capital works, from gas servicing to building cleaning, and from street cleaning to grounds maintenance – means that Kier's workload is manageable and planning is more achievable.

The company is also encouraged to expand the business through third party work.

Further to the work agenda, because of the seven year contract, Kier's CSR plans have long enough to bed in and to deliver real benefits back to the community, making a real difference to the people on whose homes Kier works.

In taking former Harlow Council employees into the partnership, Kier gains access to a team of qualified technicians – such as surveyors – with a firm knowledge of Harlow and its building stock. Their experience can be brought into the teams working on other Kier projects.

**c) the residents**

Residents are seeing vast improvements in the service they receive: they are more involved in the management of the service; there are many CSR projects designed to help specific groups of people; and as a major employer (over 90% of the workforce live locally) Kier Harlow contributes very directly to the local economy.

Further, the targeted approach to the Capital Housing programme sees a far more efficient use of funds.

Residents and leaseholders are directly involved in drafting specifications for works and agreeing project briefs, with choices and options openly discussed and agreed. As a result, the repairs and maintenance work is carried out more efficiently, driving up customer satisfaction:

- Housing void repairs are now turned around in less than ten days when they used to take up to 38 days, ensuring void properties can be occupied more quickly

- Kier Harlow's daily repair and maintenance routine has improved greatly, too, and residents are now benefitting from having almost 100% of appointments kept, whereas previously that figure stood at 83.04%.
- Emergency repairs attended to within two hours has also risen from 96.75% to an impressive 99%, with standard turnaround times for routine and fast-track housing voids being met increased from 80% to 100%.
- Other aspects of the service, such as the removal of abandoned vehicles within 24 hours of their being reported, has improved to over 97%.
- Local residents also benefit from graffiti being reduced through the identification of perpetrators in liaison with schools and Street Champions being appointed to provide direct feedback on service delivery.

Benefits to the Council also include the fact that Kier Harlow regularly recruits local apprentices, whereas the Council had not taken on apprentices for the last ten years.

The Services Agreement requires both parties to sign up to a Continuous Improvement Report. The resulting improvement plan achieves the following:

- sets out the purpose and scope of operational improvements proposed;
- identifies specifically the changes to be introduced and assigns organisational responsibilities for delivering such changes;
- specifies the improvement outcomes to be achieved together with the measures of performance by which such outcomes will be jointly measured and monitored;
- and specifies a time scale for the implementation of the operational improvements.

#### **d) the neighbourhood**

The neighbourhoods served by the partnership enjoy vastly improved repair and maintenance services: abandoned vehicles no longer litter the estates; empty houses are repaired and brought back into use quickly; people's homes and gardens are in a far better state of repair.

The neighbourhoods also benefit from the partnership's CSR activities, where people who would not normally see work as a viable option are given worthwhile training and work.

Education related CSR initiatives that we currently participate in include:

1. Work experience
2. At Risk Student Support
3. College Placements
4. Careers Fairs and Road Shows
5. The Workstep Scheme
6. Craft Apprenticeships
7. Job Centre Placements

8. Supporting Harlow Council's Future Jobs Fund bid
9. Membership of the Harlow Education and Employers Partnership Board
10. Take our Daughters and Sons to Work Day

For example, the Workstep Scheme integrates people with learning difficulties and physical disabilities into the workforce. Kier Harlow currently employs 18 people under this scheme, each receiving training and support to meet their individual needs. Adult numeracy and literacy training is offered during work hours in a programme commended by Ofsted for the valuable contribution made to meeting local training and employment needs.

Team leader Shaun Murphy entered the scheme as a 15 year old school leaver. He has since undertaken general health and safety training, gained his driving qualification, had training in manual handling, sharps and asbestos handling, first aid and has gained an Edexcel adult literacy qualification. Shaun is currently undertaking adult numeracy training and is a team leader for the service and the appointed first aider.

He says: "The scheme has given me a route into employment, the supervisors are excellent. I can come and have a chat with them about any work or personal problems I am having and know they will do their best to help. I work as part of a team that gets on very well; I love my job and don't want to leave."

Daryl Savage's placement is a good example of how the At Risk Student Support initiative has helped make a positive difference. With the support of his school, Daryl began assisting heating engineers at Kier Harlow in September 2007. Subsequent to the time with Kier, Daryl completed his schooling and is now employed locally, working at supervisor level.

Other benefits to the neighbourhood include:

- Over 20,000 repairs completed over the last nine months with 98% of appointments kept
- 99.7% of all emergency responsive repairs jobs were made safe within two hours
- Over the same time we also refitted over 450 void properties
- 97% of all scheduled gas services were completed. This equates to over 8,000 services over the last nine months.
- Completed external decorations to approximately 900 properties
- We fitted new windows to around 1,000 properties
- Renovated approximately 900 garages
- Flood defence works: 15 ditches cleared of debris, 2,500 drain gullies cleaned out and the purchase of a new gully tanker to speed the process of cleaning
- Repaired 12 underground burst water supply pipes to properties
- Assisted with tree works in Parndon Wood Nature Reserve, this helped achieve the Green Flag award for the site



- Carried out an extensive tree survey in the Netteswell area of over 1,650 trees
- Planted 40 new trees around the town as part of landscape improvement works
- We cut 1.5 million square metres of grass in housing areas once every 15 days during the grass cutting season.

### Environmental achievements throughout the partnership

The neighbourhood also benefits from having an increasingly environmentally-friendly company operating on its behalf. Kier Harlow has attained the following environmental achievements:

- ISO 14001 accredited
  - Environmental management system
  - Energy usage reduced by 38.36% from 2007/08 to 2008/09 in the depot
  - Target of a 5% per annum reduction in CO2 usage from vans
- Close working with stores department to review the products used by each service area. Examples include: 100% installation of SEDBUK A-rated boilers; environmentally friendly cleaning products; use of water based paint products where possible
- Donate white goods and furniture recovered from voids to local charities. 2009/10 target of recycling 50% of all void waste.
- Carry out HECA (Home Energy Conservation Act) assessments on behalf of Harlow Council and develop a HECA strategy
- Harlow waste transfer station which aims to recycle as much as possible through waste separation. In 2008 Kier Harlow was sending 23 skips per month to landfill sites, this has now reduced to 8 skips per month
- Participating in government post-Decent Homes initiative piloting environmental retrofitting models and cutting edge technology.

### Question 3 What were the financial costs and cashable benefits?

In Year 1 of Kier Harlow cashable savings were £880,000 (4.8% of costs) and by the end of Year 2 they had risen to £3.2 million (17.6% of costs) equating to cashable savings in the first two years of the partnership of £4.1 million. In total, savings over the initial seven year period should amount to £12.8 million.

### Summary of Efficiency Gains from Contract Start to June 2009

	Baseline Costs (£k)	2007/2008 Cashable Year 1 Efficiencies (£k)	2007/2008 Cashable Year 1 Efficiencies (%)	2008/2009 Cashable Year 2 (£k)	2008/2009 Cashable Year 2 (%)
<b>Housing Property Services</b>	<b>8,306</b>	<b>493</b>	<b>5.9%</b>	<b>2,406</b>	<b>29.0%</b>
<b>Technical Services &amp; Capital Works</b>	<b>2,663</b>	<b>0</b>	<b>0.0%</b>	<b>487</b>	<b>18.3%</b>
<b>Environmental Services</b>	<b>5,280</b>	<b>348</b>	<b>6.6%</b>	<b>264</b>	<b>5.0%</b>
<b>Support services/ overheads</b>	<b>2,136</b>	<b>39</b>	<b>1.8%</b>	<b>77</b>	<b>3.6%</b>
<b>Totals</b>	<b>18,385</b>	<b>880</b>	<b>4.8%</b>	<b>3,233</b>	<b>17.6%</b>



Non-cashable benefits are important, too, as they filter through to the profits shared by the partnership. For example, the new programme of street cleaning, within the environmental budget, has seen annual savings of £408,000 being made. A simple reorganisation of the resources available has resulted in all public areas being cleaned every four weeks where previously they had been cleaned every 12 weeks.

As a shareholder with a 19.9% share Harlow Council receives 19.9% of any profits up to 4.5% of turnover. A 'super profit' is achieved beyond this and the Council receives 60% of this too.

Over the life of the partnership savings of around £7.7 million will be made and a further £3.8 million will be saved as a consequence of the joint venture through restructuring, risk transfer and the rationalisation of remaining Council services.

A further profit share mechanism for work won in addition to the original contract is expected to produce a dividend for the Council of £0.5 million.

One of the consequences of transferring an operation run by the Council to another organisation is that certain costs can no longer 'run over' at the end of a year to be balanced out by a similar process at the end of the next year. In particular such costs as overtime payments for the preceding month and housing repair work that is in hand will have to be 'paid off' separately from the service charge within the contract.

The contract between Kier and Harlow also stipulates that if repairs necessary in any month exceed the agreed budget they are carried out at Kier's risk. This enables Harlow Council to have true certainty in its budgeting and Kier is encouraged to drive down its costs, with additional profit made shared between both parties.

This also very clearly shifts the focus of the contract away from financial elements and onto quality issues.

Harlow Council made further savings by transferring its stock of vans, equipment and depot to Kier Harlow. The Council would have required up to £2 million p.a. for three years to bring these items up to standard using the property repair budget. Instead, Kier has taken on this investment, upgrading the stock and to replace the van fleet, making each vehicle CO2 efficient at the start of the contract rather than over its lifetime.

**Question 4. How relevant is this as an example that might be followed by other organisations?**

Kier Harlow is a template that can be readily followed by other local authorities. The Council is actively seeking a JV approach to other service provision and hopes that other Councils and public sector organisations will join it to further transform the performance versus cost equation.

It is believed that such a partnership would benefit any medium sized public sector organisation with an annual turnover in excess of £15 million for the supply and delivery of such services.

*“Harlow DC's outsourcing of its building and grounds maintenance function to Kier Harlow Ltd is a great example of what can be achieved by collaboration between the public and private sector. It was a deal in which everyone won and no one lost out; the Council achieved its goal of raising the standards of its service offering by bringing in a partner with a new approach and ideas; Kier won the opportunity to develop a long term relationship with the Council and continue its impressive growth in this key sector of its business and the residents of and businesses in Harlow will benefit from the significant improvements which the venture will bring to the locality.”* **Mark Beaumont, Partner, Eversheds (Legal and Contractual Consultant)**

Certainly Harlow's circumstances are not unique and any medium sized public sector organisation could benefit from the Joint Venture Company approach.

Harlow would advise that external consultancy, such as that provided by PricewaterhouseCoopers and Nabarro, is critical in defining and negotiating a JVC.

Local authorities planning to form similar ventures would benefit from partnership skills training which Harlow rolled out across all levels within the Council so that staff (and Councillors) understood the principles of a JVC as opposed to the traditional client/contractor model.

There is also a need to understand private sector finance and the roles and responsibilities in participating in a company board.

Ends